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Canada- Dominion- Provincial Relations, Royal
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ROYAL COMMISSION ON DOMINION PROVINCIAL RELATIONS

Hearings
REPORT OF PROCEEDINGS
[Manitoba]

DEC 2 1937 - Dec. 4, 1937

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WINNIPEG, MANITOBA, DECEMBER 2, 1937

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

WINNIPEG, MANITOBA, DECEMBER 2, 1937

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Law Courts, Winnipeg, Manitoba, on Thursday, December 2, 1937, at 10.30 a.m.

PRESENT:

HON. NEWTON W. ROWELLCHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFCE, Esq.)	
DR. ROBERT ALEXANDER MacKAY)	
PROFESSOR HENRY FORBES ANGUS)	Commissioners

Commission Counsel:

Louis S. St. Laurent, Esq., K.C.

Secretariat:

Alex. Skelton, Esq.,	Secretary
R. M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the
	Secretary
Adjutor Savard, Esq.	Secrétaire Français

FOR THE MANITOBA GOVERNMENT:

Honourable John Bracken	Premier
Honourable William J. Major	Attorney General
Honourable Stuart Garson	Provincial Treasurer
John Allen, K.C.	Deputy Attorney
	General
Isaac Pitblado, K.C.	Counsel

FOR THE PROVINCE OF BRITISH COLUMBIA:

Senator J. W. Farris, K.C.	Counsel
----------------------------	---------

FOR THE PROVINCE OF ONTARIO:

D. W. Lang, K.C.	Counsel
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Law Courts,
Winnipeg, Manitoba,
December 2, 1937.

MORNING SESSION

The Commission met at 10.30 a.m.

HON. MR. GARSON: Mr. Chairman, when the Commission rose yesterday afternoon I was at the top of page 54 of Part VII of Manitoba's submission.

THE CHAIRMAN: Yes, I think you were just starting to solve your difficulties.

HON. MR. GARSON: Quite so. I now continue with the brief:

PROPOSAL THAT DOMINION ASSUME AND PAY FOR A LARGER SHARE OF THE COSTS OF SOCIAL SERVICES AND RELIEF.

"Let us examine for a moment the proposal, that a solution can be found of the problem of the Dominion-Provincial financial relationships, by leaving the provincial field of taxation as it is and having the Dominion assume and pay for a substantially larger share of the costs of certain social services and relief.

In considering these proposals the social services here discussed may be divided into three classes:

First: Unemployment relief, unemployment insurance and employment service. Particular emphasis should be placed on this class.

Second; those services which our present experience leads us to believe can only be efficiently administered under provincial auspices. Such services would include all those in which local administration was necessary and in which the exercise of local discretion would determine to a large extent the ambit

of the service and its cost; e.g., child welfare and hospitalization. Since the province cannot continue to finance this type of service unassisted, it is suggested that the Dominion should contribute a substantial percentage of such cost, under strict regulations made by the Dominion government as to the efficient management and control by the province of such services."

COMMISSIONER ANGUS: Would not a good deal of relief that was not relief of the unemployed fall into that category?

HON. MR. GARSON: I think it would be correct to say that the relief of unemployable persons might come in that category; but the relief of unemployables, upon any construction, I think, would be unemployment relief. To continue:

"Third. Such services as old age pensions in which the claim upon the state comes into existence automatically, providing certain facts, which are easily ascertainable and easily checked, are first proven by the claimant. As to these services which are now substantial and which will, in all likelihood, continue to increase, the logical solution is that they should be administered and financed by the Dominion government, as it is the body which has an unlimited taxing power over the taxable capacity of the whole Dominion. Only in this way can a common minimum standard of social service be provided for Canadians in all parts of Canada without inevitably involving certain poorer provinces in default.

Let us first consider this suggested course in the light of the intentions of the Fathers of Confederation. It is apparent that since they obviously considered that the work left

to the provinces would be an insignificant amount to be done with an inexpensive machinery, they could not have intended that it should improve services which have now become so expensive and costly. It would seem clear that these services were not contemplated at all, but if they had been they would have been considered as falling under the Dominion's residual power."

THE CHAIRMAN: Why do you say that, in the light of item 7 of section 92 of the British North America Act, by which the province is given exclusive jurisdiction over: "The Establishment, Maintenance, and Management of Hospitals, Asylums, Charities, and Eleemosynary Institutions in and for the Province, other than Marine Hospitals."

I am speaking now of the intention of the Fathers of Confederation, and it was clearly their intention that those matters should fall within the exclusive jurisdiction of the provinces.

HON. MR. GARSON: I think that is quite correct, Mr. Chairman; but I would assume that the extent of the services that were to be provided under item 7 of section 92 which you have just read would be to a certain extent determined by the social philosophy that was in vogue at that time; in other words, the amount of social assistance that would be given in 1867 by the common consent of everyone, public opinion, legislators, and all, would be a very different thing from that which, wisely or unwisely, we think is the proper thing to do to-day.

THE CHAIRMAN: I am not referring to unemployment relief, but I am speaking of the services mentioned in your second paragraph, where you mention hospitalization, as an illustration. It would seem beyond question that item 7 of section 92 of the British North America Act makes hospitali-

zation a matter of provincial concern.

HON. MR. GARSON: Quite so, and so far as hospitalization is concerned I think the wording here should be modified along the line suggested by your Lordship. Now, if I may proceed, at the top of page 55 of the brief;

"Certainly, from an economic standpoint, the functions attributable to demands of an entirely novel character made upon the state in Canada should be maintained by the Dominion government which has an unlimited field of taxation. This is especially so in view of the fact that the provincial government has been under the necessity of sharing even its limited field of direct taxation with the Dominion government.

As the Honourable Mr. Rogers pointed out in an article from which we have previously quoted, the British North America Act, 1867, was an expression of the political philosophy of "laissez-faire." The scope of government, particularly in respect of social services, was narrowed by this philosophy.

THE CHAIRMAN: Just for information, is there any literature or any information that would establish that, or are you relying wholly on Mr. Roger's opinion? You are speaking of the scope of government being narrowed by this philosophy. One would readily agree that the whole list of social services which have developed within probably the last twenty-five years, or at most within the last thirty-five years, were not in contemplation by anyone prior to that time.

HON. MR. GARSON: Quite so.

THE CHAIRMAN: But I do not know that that springs

from any conception of the division of powers. It springs from a different conception of the functions of government.

HON. MR. GARSDN: Oh, quite. I am afraid that I have not made myself clear, if I have been taken as suggesting that the new conception of government or any conception of government springs from the division of powers. What I have been intending to convey is that in 1867 the social functions of government which we now accept as common-place were not then considered the functions of any government, federal, provincial, or municipal. Now if I may continue:

"The effect of the judicial interpretation of the British North America Act has been to place the new social responsibilities of government upon the provinces, which are unable to maintain them. This has intensified the "laissez-faire" character of the Canadian Constitution in an era during which political thought, at least in the matter of the social responsibilities of government, is moving away from the "laissez-faire" idea. The provision under confederation for governmental social services was a narrow one."

Perhaps, Mr. Chairman, in view of the distinction which you have quite properly pointed out, it would have been more correct to have stated in that sentence that the conception of the extent of social services upon which Confederation was based was an 1867 conception, which in the light of our present day opinion was a narrow one.

THE CHAIRMAN: I cannot see that the expression "laissez-faire" gets us anywhere particularly. But there was a different conception in those days.

HON. MR. GARSON: Quite so. It is a case of a rose by any other name smelling as sweet. Continuing with the

brief:

"Judicial interpretation has further narrowed it at a time when public opinion was attempting successfully to broaden it. The clash between the social demands of public opinion and the narrow provision for social services in the Canadian Constitution--in practical effect still further narrowed by judicial interpretation--"

That is, by casting the responsibility upon institutions that are not wholly capable of meeting them:

"--has been at the expense of provincial treasuries. These demands will not subside. On the contrary, the tendency is for them to multiply and grow. For example, our population structure is such that twenty years hence we shall have, in all likelihood, twice as many people over seventy years of age in Manitoba as we have to-day, with resultant consequences upon the cost of old age pensions."

THE CHAIRMAN: Is it not true, however, that all these extensions of obligations on the side of provincial jurisdiction have been fought for by the provinces and opposed by the Dominion? You speak of judicial interpretation as narrowing the provision under the constitution for governmental social services and imposing these obligations. I do not know that it changes the result at all. It is a fact, is it not, that the provinces have fought to obtain these rights, which carry with them, of course, very onerous obligations?

HON. MR. GARSON: I think that is true, my Lord, of some provinces.

THE CHAIRMAN: This province has been less insistent than most of them?

HON. MR. GARSON: On the whole I think so, yes..

Continuing now with the brief on page 55:

"The facts which we must recognize and take into account, as stated by Governor Towers in his address to the shareholders of the Bank of Canada, on February 23, 1937, are that:

'The character of governmental responsibilities has changed materially during the present century. The budgets of twenty-five years ago, whether they pertained to the Dominion or to the provinces or to the municipalities--'

That was the point, Mr. Chairman, that was raised a moment ago, It is a new conception all along the line:

'--contained no expenditure for old age pensions or mothers' allowances, and the charges for hospitals and public health were much smaller than the amount required to-day. Still less was there any unemployment relief. These expenditures arise from an altered conception of public needs and governmental responsibilities. This change imposes a necessity for financial administration of a high order if the burden is to be equitably distributed, or indeed, if it is to be borne at all.'

COMMISSIONER ANGUS: Is not one of the big differences between 1867 and now the ever-increasing economic interdependence of the provinces, and that charges that seemed very natural to be dealt with locally then are now spread over two or more provinces that may be economically linked, with one being richer and the other poorer because of common policy?

HON. MR. GARSON: Quite so. I completely agree with the Commissioner's remarks, and I think what he says is true not only as between provinces, but true also of the character of the activities carried on by various parts of the Canadian nation. For example, farming in the parts of Canada which were involved in the 1867 arrangement was a totally different type of farming from the cash or commercial production of wheat which has to go into the markets of the world, and be subject to all sorts of economic conditions and factors such as we have to experience in western Canada to-day. More than that, the growth of industrialism in Canada did not commence on a large scale until some years after Confederation, and it too brought with it other forms of interdependence similar to those spoken of by Commissioner Angus. I turn now to the bottom of page 55 of the brief:

COSTS OF RELIEF

"It is here relevant to indicate the size of the burden of providing unemployment relief in Manitoba."

The size of this burden is indicated at the top of page 56, in Table 13, covering the years 1931 to 1937, with an estimate for 1938, ending April 30, which is the financial year. In that Table the costs of unemployment relief in Manitoba are broken down under the headings of "Rural Rehabilitation," "Single Men," "Relief Works," "Family or Direct Relief," and the total for the year under those different heads is given, also the grand total. Including an estimate for the financial year ending April 30, 1938, the grand total of the provincial share only of unemployment relief costs in Manitoba from 1931 to 1938 is \$22,087,672.12.

THE CHAIRMAN: Has unemployment relief as we now have it grown wholly out of the depression?

HON. MR. GARSON: Yes.

THE CHAIRMAN: On the scale we now have it. Prior to the depression, if there was unemployment, as there was in different periods, it was looked after locally by the municipality or the province?

HON. MR. GARSON: Yes.

THE CHAIRMAN: I do not recall--I may be quite wrong because I am speaking from recollection only--any federal assistance being given for unemployment relief prior to the recent depression.

HON. MR. GARSON: Quite.

THE CHAIRMAN: Have you been able to form any opinion in reference to this province, whether unemployment relief is to be a continuing problem, or whether it is likely that in the course of a few years we may rather return to the situation that existed prior to the depression, so far as the extent of unemployment relief is concerned. Prior to the depression it was a relatively small problem.

HON. MR. GARSON: The Hon. Mr. Bracken just informs me, Mr. Chairman, in answer to the first part of your remarks, that in the post-war depression of the 1920's financial assistance was given by the Dominion in this province towards the cost of unemployment relief, but later it was discontinued, and certainly it was not on the scale to which we have become accustomed in the last few years.

With regard to the latter part of your Lordship's remarks, I have first of all a confession to make. When unemployment relief started at the beginning of the depression, like the great majority of Canadians, if not people all over the world, my guess then was--and I say "guess" because it would be impossible to dignify it by any other term--was that it would be a temporary condition; and is it not true to say that in borrowing for all our

relief costs, as we have done, which would be thoroughly unsound procedure if the condition were to be permanent, we have been all working upon the assumption that it was only a temporary condition?

Now my original guess having been so far wrong I am almost afraid to hazard another one as to what would happen in the future, but since you have asked me, I would say this: I am inclined to think that as a result of what has happened in this interval of some years now, with unemployment relief on such a large scale, there likely will be a fairly substantial residue of an unemployment problem from this point on. But I do not claim for that guess, Mr. Chairman, any greater validity than for the one I made five years ago, and which has proved to be quite wrong, and exactly in the opposite direction to the facts.

COMMISSIONER MacKAY: How far do you think the unemployment problem can be taken care of by unemployment insurance?

HON. MRA GARSON: I would need to know the scope and purpose of the scheme of unemployment insurance before even making a guess at answering that question.

THE CHAIRMAN: But assuming that it is on the basis of the Unemployment Insurance Act which was passed in 1934, and which was declared ultra vires by the Privy Council.

HON. MR. GARSON: I must reluctantly, Mr. Chairman, refrain from expressing any opinion on that. In a province like Manitoba, which after all is not preponderantly industrial, I think it would be very difficult for one to form an opinion as to the extent to which unemployment insurance, confined, as I understand is the plan, largely to industry, would relieve the unemployment problem here. In a pure industrial centre, where you can relate it to payrolls and work it out arithmetically, it might be possible to form an opinion as to its effects, but where you

have a province that is dependent in such large measure upon agriculture, which in turn is dependent upon weather conditions, foreign markets, and so on, I think it would be the wildest sort of conjecture to express any opinion at all.

THE CHAIRMAN: We should get a good deal of light on this problem when we get the final report of the National Employment Commission.

HON. MR. GARSON: Yes, I would think so.

THE CHAIRMAN: Undoubtedly it is a very difficult problem, and the question that arises in my mind is this, whether there is such a degree of certainty that a residue of unemployment will be a permanent factor in our economic and social life that it will be necessary to base a permanent policy upon it?

HON. MR. GARSON: Yes, I would say that in my opinion there is undoubtedly that certainty. The Hon. Mr. Bracken has just pointed out to me that there was unemployment before unemployment relief on the scale we have it now came into existence at all. The existence of unemployment relief has resulted in a demand as a result of the giving of unemployment relief, and that demand will no doubt continue in a different form as a result of the unemployment relief program which has been in effect during the past year.

THE CHAIRMAN: The existence of the measure of unemployment relief has in itself created the demand, which is likely to persist even under the improved economic conditions which we hope to see?

MR. PITBLADO: I think, Mr. Chairman, that it tends also to make those who now call the unemployed, unemployable, which intensifies the unemployment problem. As the years go on, it is much more difficult to get men who have been unemployed back into employment again, and I think that adds to the ranks of the unemployables very consider-

ably.

THE CHAIRMAN: In years past, when men reached that stage they were taken care of in local institutions, Houses of Industry and so on, for men incapable of work. They were looked after locally.

HON. MR. GARSON: Quite so.

THE CHAIRMAN: Entirely so: That is my recollection.

HON. MR. GARSON: Yes. Turning now to Table 13 at the top of page 57, it indicates that the provincial share only of unemployment relief in Manitoba, including an estimate for the year ending April 30, 1938, amounts for the period from 1931 to 1938, to \$22,087,672.12. Continuing with the brief:

"The total cost of relief and distress and unemployment in the Province of Manitoba from October 31, 1930, to April 30, 1938 (the cost for the fiscal year 1938 being an estimate only), is \$63,019,275.98."

That is the gross cost of relief, Dominion, provincial and municipal, and it includes Direct and Family Relief, Relief Works, which represent the only item for which we have anything tangible left to show for the expenditure, Single Men, and Rural Rehabilitation. The amounts are set out in Table 14:

"These amounts are so large that we perhaps unconsciously refrain from relating them to Manitoba's budget. When this is done, however, their staggering proportions are emphasized. For example, in the twelve months of 1936, January to December, the cost of relief in Manitoba to the three governments, Dominion, provincial and municipal, was \$11,727,047.79. This amount equals 81.21 per cent of the total

of Manitoba's ordinary expenditure for all purposes including debt charges in the fiscal year ending April 30, 1936. This aforesaid amount for the calendar year of 1936 was over 50 per cent more than all of the controllable expenditures of the provincial government put together in the fiscal year ending April 30, 1936.

For each of the calendar years from 1933 to 1936 the average number of individuals on relief was as follows:

1933	77,699
1934	79,754
1935	81,712
1936	86,033

THE CHAIRMAN: Was 1936 a worse year than the previous ones, as would appear on the figures you have just given?

HON. MR. GARSON: That would be the calendar year 1936. I would not think so on the whole. I do not think we have any figures of the total net production from the Dominion Bureau of Statistics for that particular year: but I would not think so. The point there, Mr. Chairman, is this, that there does not appear to be the same relationship between production and prosperity, on the one hand, and the number of unemployed on the other.

THE CHAIRMAN: No, it surprises one to see that for this particular year 1936, which according to your previous brief was one of the best years in your history, you estimate the unemployed on relief at a higher figure than for any of these previous years.

HON. MR. GARSON: Mr. Bracken points out that 1936 followed a year which was very bad, 1935, and there is a

lag between agricultural production in the west and its effects upon industry in Winnipeg, which may account for that.

COMMISSIONER MacKAY: Did the duration of the depression have anything to do with it? Did not more people go on relief as their resources were eaten up?

HON. MR. GARSON: Surely, that is very important. That is going on all the time. As the family savings go and the family resources are eaten up, people who have shrunk from going on relief are forced by necessity, when their savings are eaten up, to go on relief, and that causes a steady addition to the relief lists all the time. Continuing now at the bottom of page 56:

"The amount borrowed by Manitoba from April 30, 1930, to the present (less payments to date)

--

The repayments to date are more or less insignificant:

"---in order to pay for its own share of unemployment relief and those portions of the municipalities' share which it has had to lend to municipalities is \$23,736,570.51."

Then at the top of page 57:

"Beyond doubt this is a financial problem of the utmost gravity and importance. Unless and until it is solved, there can be no sound policy of public finance in Canada, and particularly in the western provinces.

WORKING OUT OF PRESENT RELIEF SYSTEM IN NATIONAL ECONOMY.

Let us scrutinize the present division of responsibility for relief as between the municipalities, the provinces and the Dominion government.

We have in Canada four major industries which

in order of value of their products in 1935,
were as follows:

Manufacturing.....	\$950,170,000
Agriculture.....	622,772,000
Mining.....	238,581,000
Forestry.....	227,500,000

The three primary industries of agriculture forestry and mining are directly dependent upon export markets. Manufacturing is dependent to a less extent directly upon export markets, but depends in substantial measure upon selling its products to those engaged in agriculture, mining and forestry--

And, of course, other primary industries:

" --and is thus indirectly dependent upon export markets as well.

Each of these three primary industries operates in reasonably well-defined areas. Each of these three primary industries is operated by reasonably well-defined labour groups. Suppose, as has happened, that the market, shall we say, for newsprint collapses. The men in that industry are thrown out of employment. The men in that industry, as taxpayers and consumers in the economic area in which their industry is located, cannot pay taxes, and cannot pay their debts or buy from merchants and others. It may be, and likely is, that the export market for newsprint is quite beyond the control of our governments in Canada. Certainly, if federal control over national trade and monetary policies will not prevent the export market from collapsing, or shield

the nation to some extent from the effects of the collapse, the provincial government even with its wide jurisdiction over property and civil rights cannot pass any laws or take any action to prevent or shield us from such collapse. More certainly, the hypothetical City of Sturgeon Falls, in the heart of the depressed area, could not have prohibited the collapse by a municipal edict or law.

So the collapse takes place and inevitably brings with the train of events--disbanded bush gangs, closed mills, unemployment, suspension of interest and dividends on many news-print investments--the effects of which in the aggregate, we can call an economic disequilibrium in our national life. Under our present arrangements our method of dealing with the relief costs arising from this economic disequilibrium is to load as much of them as we can as municipal taxes upon such of the citizens of Sturgeon Falls as are not yet bankrupt, and upon such property as has not yet been sold for taxes: and then as much of these relief costs as the city can borrow upon the same citizens and the same property as municipal debt. If the city has been prudently and carefully managed, it may borrow a great deal, whereas if the city fathers have extravagantly incurred an already insupportable debt, they may not be able, and therefore not be compelled to borrow anything for relief. Next, as much as these relief costs as can be borne is cast upon the same citizens of Sturgeon Falls, and

of course, all other citizens of the province, as provincial taxes and provincial public debt. Finally the residue of the load is borne by the Dominion government.

For a nation whose national income is so poorly distributed among such a small number of major industries, all of which are dependent in such a great degree upon export markets, this method of cushioning the effects of the depression in any one of the industries is economically unsound and unfair.

If there is an unavoidable disequilibrium which in itself directly casts a heavy burden of reduced income upon Sturgeon Falls and its citizens, are we going to cure it by piling on this reduced income the primary costs of unemployment relief, or by distributing the costs of relief as widely as possible over the whole nation? What incentive is there for sound municipal finance, if we reward it by exhausting for relief purposes in as many months the credit that has been built up by many years of prudence and economy."

I may say by way of digression at this point that in the Bank of Canada report it is specifically noted that the City of Winnipeg entered the depression in an unusually sound financial position, but purely as the result of having the costs of relief imposed upon a unit which should never have had to pay for them, they now find themselves after many years of prudence and economy in a very difficult, indeed critical, condition, to-day, after a short period of six or seven years only.

THE CHAIRMAN: Is it not a startling though it may

be a perfectly sound reflection that in a country with such large unoccupied areas and such resources as we have in Canada, a time may never come when unemployment will not be an important financial burden? I am leaving out the unemployables; I mean unemployment itself.

HON. MR. GARSON: That may be, Mr. Chairman, but with conditions in the export markets as they are to-day for the products that we grow in western Canada, it may be asked what use is the frontier if a man can get but fifty cents a bushel at Fort William for his wheat. There was a time when the frontier meant a great deal, when a man could go out to the fertile prairie, and at a reasonable cost break up land, with no bush upon it, land that could be very easily broken, and grow wheat for eighty or ninety cents or one dollar a bushel. Then the frontier had some significance in absorbing unemployment.

(Page 422 follows)

THE CHAIRMAN: Is there not a steady increase in what is now referred to as subsistence farming -- that is, the practice of the farmer of growing on his own land all his own requirements in the way of food? One can readily understand that there might be a difficulty in extending wheat farming operations by reason of the problem of finding markets; but would that also apply to subsistence farming, where the farmer himself grows whatever he needs?

HON. MR. GARSON: I might point out that, so far as subsistence farming is concerned, that is to say, as a solution to the problem of unemployment, such farming even on a minimum scale, involves a sizeable outlay of capital which the individual does not happen to have; and the problem is whether the scheme as a governmental undertaking would pay, of advancing that capital to start the individual on a subsistence basis. In this province we have had in operation a rural rehabilitation scheme which on the whole has worked out well. But one of the reasons why it has worked out -- at any rate, in my opinion -- is that we have gone into it cautiously and on a modest scale. As a rule, governmental schemes of any kind, when embarked upon on a large scale, are overtaken sooner or later by some Nemesis and they do not work out in practice as they ought to do on paper.

THE CHAIRMAN: Does that rural rehabilitation scheme include city dwellers who are out of work?

HON. MR. GARSON: Yes; it is mainly that as a matter of fact, provided that they have previously had some agricultural experience. I turn now to page 58 of the brief; I refer the Commission to the middle of the second paragraph:

" What investor in his right senses is going to buy the bonds of even a well-managed municipality or province, in a sound financial position if he has to underwrite in doing so the possibility "

" of the municipality or province being ruined by a burden for which it has not, and was deliberately intended by the Fathers of Confederation not to have, the proper means to provide?

Let us suppose, as has also happened, that a collapse takes place in all industries at the same time. The figures which we have brought before you indicate that even then the decline in the income among the industries, economic areas and labour groups is not uniform. Even upon the basis of income, there is room for an evening up. But it is notorious that in Canada, wealth which has been produced in abundance in the primary producing areas, northern Ontario and northern Quebec, western Canada, the Maritimes, and British Columbia -- western Canada, for example, has produced wheat alone to the gross value of over seven billion dollars since it was opened up -- tends to concentrate in the industrial and banking centres. In national emergencies is it not wise, not only for western Canada, the Maritimes or British Columbia and the other primary producing areas but for the industrial centres and their citizens as well, if only upon the plane of self-interest, to preserve from bankruptcy and disaffection a large economic area in which there is a valuable market for industrial goods, which has been of great value to them and will be of great value again? The industrial centres will undoubtedly have this market if we adopt wise policies. The cost of those policies will be a very cheap price indeed to pay for the salvation and continuance of such a market, to say nothing"

"of the great social and political benefits which would also accrue.

Effect of Present Relief System upon Land Taxes and Building Recovery:

In taking care of a given number of unemployed persons it has been found that it costs a great deal more to provide relief works for them than it does to provide direct relief. The financing two-thirds of the cost of relief upon the tax base of the province and municipalities, therefore, creates a tendency to favour immediately economical direct relief rather than the provision of work. As long as relief is thus financed, any large system of relief works is virtually impossible. Moreover, even in respect of the works which are authorized, the Dominion grant is usually made conditional upon the province and municipalities paying a portion of the cost at a time when, upon any rational basis, they are wholly unable to do so. This practice hastens the financial downfall of the province and the municipalities by loading an insupportable burden upon the narrow tax base which the municipalities and the province must share between them.

Another obvious disadvantage of this system is that land, as the form of wealth which must bear a large percentage of municipal taxation (for amongst others, relief purposes), has become so heavily burdened that a large and growing proportion of it is being forfeited annually to the municipalities and cities by tax sale. Moreover, the unduly heavy land tax is a serious handicap in another direction. Recovery elsewhere has'

"been associated with a revival of the capital goods industries. Many eminent economists think that in the revival of the capital goods industries lies the greatest hope for recovery, and for ending unemployment. In western Canada the most conspicuous example of the capital goods industry is the building trades. We have a real need of more houses -- for the accommodation of our overcrowded population, and to provide work for our unemployed population. A housing programme is the obvious remedy. What stands in the path of it? Excessive land taxes -- the direct result of our method of handling and financing social services and unemployment relief. The burden of the land tax is the greatest single obstacle to the recovery of the building trade, for the simple reason that no one can erect houses upon land so burdened, to rent at even the smallest rate of profit, for a price that tenants can afford to pay. Thus the workmen in the building trades remain idle, on relief, and by consuming without producing add still further to the burden of the tax that stands in the way of a building programme which would give employment.

This is recognized by the Purvis Commission, which states in its interim unemployment report at page 9:

'It is realized also that the study will probably throw light on the extent to which taxation practices now in force are tending to hold back the normal functioning of real estate activities in the country's economy.

However, examination showed that there were two fields in particular in which prompt action,

'was most desirable:--

1. In the construction industry where employment was still at an abnormally low level and where recovery was lagging badly all over the country in relation to that experienced in other industries.

2. In agriculture where, owing to low prices in previous years for farm products, and also to drought conditions, many farmers had for some time found themselves unable to continue to employ winter help.'

'Present Relief System Does not Exempt Dominion Government from a Heavy Financial Burden.

According to the Bank of Canada report on Manitoba's finances, page 21, the total assistance in the form of loans, guarantees and dominion share of the relief costs, as at March 31, 1937, was \$51,750,588.00. The present system cannot be favoured on the plea that it enables the dominion to escape in the long run a liability which should be the dominion's responsibility in the short run. Moreover, since the income of a province will produce so much taxes and no more, anything that the dominion saves under the present system of relief administration will have to come out of the holders of provincial bonds in a manner which will do little to credit the honesty of the Canadian people or the intelligence of Canadian statesmen.

As a matter of fact our approach as a nation, or rather should we say, the joint approach of our municipalities, provinces and the dominion government, to the problem of unemployment has been singularly unintelligent. It has been stated that from the beginning of the problem in 1931 we spent under"

"dominion, provincial and municipal auspices more than \$800,000,000.00 before we even took the trouble to have a national registration and classification of persons on relief, which was inaugurated in September, 1936, under the authority of the Hon. Mr.

Rogers. Until this was done and the various aspects of the whole problem sorted out and analyzed it is difficult to see how rational objectives could with any precision be conceived, much less pursued. However else one may regard this joint unconcern as to basically relevant facts, one cannot regard it as a recommendation for the present system.

Meanwhile the payment of relief moneys to employables over a long period of time has undoubtedly had the effect of substantially reducing the numbers of employables and substantially adding to the number of unemployables.

Report of the Purvis Commission:

Having reached this point in the joint handling of the unemployment problem under the combined auspices of municipalities, provinces and the dominion, a Commission is appointed under the chairmanship of Mr. A.B. Purvis, which at long last comes to grips with fundamentals and in doing so necessarily comes into collision with the dead hand of our Constitution. The result is stated on page 15 of the Commission's Interim Report:

'As is held that the division of authority under the British North America Act gives to provincial governments exclusive jurisdiction in the field of civil rights, the prior obligation in meeting dependency rests primarily with the province, or, in turn, the municipality.'

"And while appreciating that changing conditions in economic life; the limited taxation powers of local units of government; and the fact that dominion policies affect taxation powers of local units of government; and the fact that dominion policies affect local employment opportunities, have led to participation by the dominion in meeting the cost of economic dependency, nevertheless the Commission strongly recommended that, as long as the present constitutional basis exists, the method introduced in 1934, of granting aid on a temporary or emergency basis without definite or adequate control should be abandoned by the dominion and the following basic principles accepted:---

1. That the primary responsibility for the relief of distress should remain with the municipal authority and/or the province."

In the remainder of that extract from the report of the Purvis Commission, the conditions upon which relief grants shall hereafter be given are set out. I will not take time to read it but will pass on now to the bottom of page 61 under the heading:

"New Relief Procedure Recommended in Interim Report of Purvis Commission.

A statement of the practical steps to be taken to secure grants-in-aid is then set out. The formal application of the province must be accompanied by evidence showing the financial need and the relief need of the province, and those of its municipalities seeking help.

The conditions upon which these grants-in-aid are to be made include the restriction of dominion"

"aid to those ordinarily self-supporting and to those areas for which dominion aid is given.

The Commission goes on to say on page 17 of its report:

'The Commission is now engaged in preparing its recommendations in regard to the second main division of those requiring relief, i.e., the "organization of assistance and relief to those suffering from mental, physical or social handicap", and additionally in connection with the coordination of aid, assistance and relief measures, including voluntary relief.

Recommendations to cover these further phases of the subject will be subsequently submitted.'

"It seems to be a fair inference from the foregoing that the dominion will restrict its grant-in-aid to the financing of relief given to employables.

If this is so, then the implementing of the Commission's report means simply that in addition to the burden which the provinces and municipalities are now carrying they will have to take over the entire cost of caring for 58,261 fully and partially unemployable persons plus their dependents, to the support of all of whom the dominion government is now contributing. According to the accepted priority of responsibility under the present practice, the cost of caring for these unemployables would fall upon the municipalities. Winnipeg, for example, would have to take over 2,694 of these, of whom 829 are heads of families, whose dependents would have to be maintained."

The figures used here are taken directly from the Purvis Report:

" Manitoba and its municipalities, as a whole, including Winnipeg, would have to take over 4,580 of whom 2,235 are heads of families with dependents requiring to be supported. This arrangement would put the municipalities of Manitoba, including Winnipeg in a substantially worse position than their present impossible one. In the absence of some compensating form of assistance to meet the situation thereby created it would mean further municipal default in the near future. The provincial government and certain municipal governments in Manitoba cannot go on indefinitely borrowing money to maintain a relief burden which has always in justice been the responsibility of the national government. To increase that burden at this juncture will simply hasten the inevitable end."

COMMISSIONER ANGUS: The people included in this paragraph which you have just read are really the unemployables to whom you refer on page 54.

HON. MR. GARSON: That is right.

COMMISSIONER ANGUS: And the administration would have to be local even if the dominion contributed to the cost?

HON. MR. GARSON: No; I am afraid I have not conveyed the right impression, but that, I suppose, is due to the lack of further details. The Purvis Commission in its interim report makes this statement: All those people who are now nominally upon unemployment relief, as ascertained by the registration that has been conducted -- if I remember rightly the number is between 20 and 25 per cent of the total now receiving unemployment relief -- are, according to the definitions and classes that have been established and applied, actually unemployables, and

should be taken over by the municipalities and the provinces. The unemployables to whom I had reference on page 54 are unemployables in the old sense; these others are, shall I say, pseudo-unemployables who have been cast out by reason of the analysis which the Purvis Commission has made of the total unemployment relief list. This number, for example, I am sure, although I do not think anyone can give the exact figures, will include a number of people who were not originally unemployable when they went on the relief lists but who have become so by reason of their continuing to receive unemployment relief.

COMMISSIONER ANGUS: I fully understand that now, but there was some confusion at first.

HON. MR. GARSON: Yes, the criticism, I admit, is well taken. I should like at this stage to point out that inasmuch as a further hearing of the Commission will be held at Ottawa next summer, we should like in this connection to reserve the right to make further representations on this point when the final report of the Relief Commission comes to hand -- I am referring to the last sentence which I read from the brief, namely, "To increase that burden at this juncture will simply hasten the inevitable end". We wish to reserve the right to make further representations on the point of unemployment when the final report of the Purvis Commission comes to hand. I do not think anyone knows what it is going to be, and we should like to have something to say as to its effects upon us.

In the middle of page 62 I come to a consideration of the British system of unemployment relief. I quote from the brief:

" The Purvis Commission, in its interim report, has made it quite clear that, "As it is held that the division of authority under the British North America Act gives to provincial governments exclusive jurisdiction in the field of civil rights, the prior obligation in meeting dependency rests primarily with the province, or, in turn, the municipality"; also that, "as long as the present constitutional basis exists, the basic principle "that the primary responsibility for the relief of distress should remain with the municipal authority and/or the province" should be accepted. Certain conclusions are imposed upon the Purvis Commission as a result of these constitutional limitations to its field of enquiry and of recommendations. The conflict between the law and economic fact which we see here is an epitome of the whole problem with which this present Royal Commission is now concerned. Apart from these constitutional limitations, however, one would think that the interim report of the Purvis Commission in its general approach and certainly in regard to its recommendations for a national employment service was inspired by the British system which has been described as the best in the world. What was the British experience?

'To quote Davis at this point:

Unemployment assistance in England in its various stages during the last depression was financed first through advances from the insurance fund, then from joint contribution from the national treasury and the county"

'and county borough councils, which as a matter of fact met only a small portion of the cost. Under the last and newest law, almost the entire burden of expense for this relief is borne by the country as a whole. Great Britain found that decentralizing relief was unsatisfactory and financing it with various types of contributions was likewise unsound in practice. It made both administration and payment the responsibility of the central government.

This is the sum and substance of the British relief policy. The unemployment insurance supplements the savings of working people over short periods of unemployment. Unemployment assistance provides them with a meagre subsistence when they are unable to find jobs before their insurance expires. There is a third form of relief -- the poor laws. But as the poor laws are local and are no longer charged with the problem of unemployment relief they do not concern us here.

Unemployment relief in Great Britain is administered with surprising efficiency and with very few charges of corruption or favouritism.

In part this is due to the appellate provisions, which exist not only for the insurance scheme but for public assistance. If Tom Miller is dissatisfied with the decision of the area office concerning his unemployment assistance allowance, he may appeal to the nearest of 139 tribunals consisting of a'

'chairman and two members.

The justice with which the system is administered is largely due, however, to the fact that the staff again is a part of the enviable Civil Service.

Highly specialized social scientists are not so common among them as in our (United States) various relief administrations. Nor, because they do not attempt the multitudinous functions, are there comparatively so many employees. The staff of the Unemployment Assistance Board, from the chairman to typists, messengers, and cleaners in the various offices, number slightly more than 6,000. Compare this with the 185,766 persons who were employed by the Federal Emergency Relief Administration -- taking into consideration the fact that our population is about three times that of Great Britain ! ' "

I might point out in connection with that quotation that in the United States there is a joint system of municipal, state and federal relief assistance such as we have here.

"British Exchequer Contributes 95 per Cent of the cost of Relief of the Able-Bodied Unemployed.

In answer to protests made by the local authorities that they still had to pay too much, the Right Honourable Neville Chamberlain, then Chancellor of the Exchequer, said:

' With regard to the general question as to whether local authorities have or have not been liberally treated under the substantial

'proposals of the Bill (Unemployment Assistance Act, 1934) To put it in a nutshell, what is the use of talking about the old story of taxation without representation when, as a matter of fact, the Exchequer is contributing 95 per cent of the cost of relief of the able-bodied unemployed?'

I have put in the brief, on this point, a statement by the Right Honourable Viscount Sankey, then Lord Chancellor, on the second reading of the Bill -- that is, the Unemployment Assistance Act, 1934 -- made in the House of Lords, in which he substantiates the Right Honourable Mr. Chamberlain's statement by giving the exact figures.

COMMISSIONER MacKAY: Do you think, Mr. Garson, that the conditions of administration in Great Britain are comparable with the conditions of administration in this country?

HON. MR. GARSON: No, sir, I do not think they are comparable; but I do not believe that their incomparability is a deterrent. In other words, while I admit that they are not comparable, I believe nevertheless that that one difficulty would be much more easily overcome than any of the obstacles that are to be found in the present system. For example, I have occasion later in the brief to point out that some two-thirds -- I have not the figures here at the moment but that is my recollection -- of all our unemployed on relief are in cities of 25,000 or over, while 85 per cent are in towns or smaller cities. So that the conception of a Civil Service spread over the entire country, covering every little hamlet and village, is not by any means a correct one. The problem of

unemployment in Canada, as established by the figures in the Purvis Report, is essentially an urban one and could be met easily enough by having representatives of the Civil Service in charge of unemployment relief in those urban centres where the problem exists. And while geographically the distances have to be covered are much greater, I cannot see that there should be any very great difference in the cohesion of the parts of the Civil Service, because we have modern facilities such as long distance telephones, the telegraph, the mails and so on, and there could be an inspector who could make a check. That point has been brought out, but the argument in that regard has been greatly exaggerated.

COMMISSIONER ANGUS: With reference to the able-bodied unemployed whom you have been discussing, Mr. Garson, would there be any over-lapping as between them and the people described at the top of page 62 as fully and partially unemployable?

HON. MR. GARSON: I should not like to say that, sir. The impression I have formed from a reading of such literature as I have quoted, which has not been as exhaustive as I should like it to have been, inasmuch as I have not had sufficient time at my disposal for a more thorough research, conforms pretty well, I believe, to the views expressed by the Purvis Commission with respect to that class which they describe as unemployables.

COMMISSIONER ANGUS: So that this does not affect the question of the competence of dominion administration in the face of the fully and partially unemployable.

HON. MR. GARSON: I understand the language of the question, but I am afraid I do not get the point.

COMMISSIONER ANGUS: The point is this. This evidence goes to show that you can have a quite efficient national administration in the case of able-bodied unemployables.

HON. MR. GARSON: Yes.

COMMISSIONER ANGUS: But are we to go further and assume that we have also an efficient national administration in the case of the fully and partially unemployables?

HON. MR. GARSON: No; I do not think that would necessarily follow, and at this stage I would not admit that it would. The way in which it appears to me is this. Those to whom I was referring on page 54 who have always been unemployable by reason of physical disability should, I think, remain as a responsibility of the province.

COMMISSIONER ANGUS: Both administratively and financially?

HON. MR. GARSON: Administratively and financially; but from the financial point of view, I believe it will be found -- in fact, that is our submission -- that in any financial plan of Confederation it will be necessary for the dominion to contribute fifty per cent towards the cost. If, let us say, the poorest province -- I do not know which one it is -- nor does anyone know which one it may be twenty years or ten years hence -- if, I say, the poorest province in Canada is going to be in a position to finance that burden, then I believe that the financial plan will have to include subsidization on the basis suggested on page 54, so far as that class of people are concerned. Then there are those who are classed under the British scheme as able-bodied unemployed -- people who are able to take such jobs as are offered. In Great Britain 95 per cent of the cost of that is paid by the British government, and the administration of it, as I

understand it, is wholly under that authority. There, the local authorities complained that while they were being taxed to assist in the national problem they had no say in the matter, but Mr. Chamberlain replied, "Why make such a complaint when we are paying 95 per cent of the cost?" Those people in my view, rightly or wrongly, correspond to the class described by the Purvis Commission as employables.

Then we have in Canada, as I said a few moments ago, as the result of six or seven years of unemployment relief, a condition to which consideration should be given. There is the division which the Purvis Commission has now made of those on unemployment relief -- the division into employables and unemployables. When that division is made there is another class of unemployed, and the difficulty of our position here in making any suggestions as to what could be done with that particular class compels us to suggest that the dominion should assume full responsibility for them.

However, we have reserved the right to express ourselves further when we see what the final report of the Purvis Commission recommends, because that might shed an entirely different light on the whole picture. Does that answer Commissioner Angus' question?

COMMISSIONER ANGUS: Yes, but the problem of administration in relation to the pseudo group to whom you have referred will be left over for further discussion.

HON. MR. GARSON: Yes, because the Purvis Commission, who have given a great deal more consideration to the whole subject than it has been possible for us to give, are going to bring forward recommendations in that regard, and we thought it the height of intellectual impertinence

for us to offer any suggestions at this stage.

THE CHAIRMAN: Under the British system of administering unemployment problems, do the unemployables come wholly within the municipal jurisdiction, both as regards provision of relief and as regards administration?

HON. MR. GARSON: In Great Britain?

THE CHAIRMAN: Yes.

HON. MR. CARSON: My understanding is that they come wholly within the national scheme.

THE CHAIRMAN: Those who are wholly unemployable?

HON. MR. GARSON: The unemployable, yes. I think that is correct.

THE CHAIRMAN: That would include those who are incapable of work and who would come under the poor law system?

HON. MR. GARSON: Yes. I want to have it understood that in the time in which we have had to cover the whole brief it has not been possible for us to be as exhaustive as we should have liked.

I come now to the top of page 64.

"Dominion Administration and Financing of Relief only method of Providing Uniform National Minimum Standard of Relief.

It is submitted that there should be a uniform national minimum standard of relief and social services to which Canadians as Canadians wherever they live are entitled; and that with the variation of income from year to year in the provinces of Canada, and the variability of income from year to year in the same province or provinces, having the entire administration and financing of relief handled by the dominion government is the only satisfactory way of providing it. It is explicitly submitted moreover, that the dominion

"government responsibility in this regard should extend to those unemployables and partial unemployables who, not being partially or wholly unemployable at the time when they went on relief, have become so as a result of their unemployment continuing or being permitted to continue under the present method of joint relief administration. These men and women are now unemployables not as a result of their own original unemployability but as a result of their own continuing unemployment and consequently form a part of the unemployment problem for which the dominion government should assume responsibility. It will be noted that what we are suggesting does not offend the principle that it is wrong for a government to spend money which it has not the responsibility of raising. Our suggestion is that the administration as well as the financing should be wholly under dominion auspices."

COMMISSIONER ANGUS: What I had in mind was the practicability of efficient administration in respect of the different classes.

HON. MR. GARSON: Yes. As a matter of fact, I think that the position of the unemployables will be pretty much in the air. I do not believe that anyone who has not had ample opportunity to examine the matter fully would venture to express an opinion pending the submission of the Purvis Commission's report.

THE CHAIRMAN: In your opinion, Mr. Garson, would the situation be affected by the monetary policy of the federal government?

HON. MR. GARSON: I would not say that, Mr. Chairman. What I say is that we are suffering from a handicap

the responsibility for which must be borne jointly by the federal and provincial governments. The fault is not the dominion's, nor is it our fault; no one person should be blamed, and no good purpose can be served by trying to find a scapegoat. What we want is a solution of the problem that faces us.

To continue with the brief:

"Dominion Relief Scheme would Revolve around National Unemployment Insurance and National Employment Service:

That a national system of unemployment relief administration would work much better than the present system, and that it is the only system that is likely to work satisfactorily; is indicated by certain features of the Canadian economy. Canada has a relatively narrow distribution of the national income amongst three major exporting industries, the prosperity of which is subject to international as well as domestic conditions. A portion of Canada is highly industrialized, and faces the employment problems peculiar to industrialization. It is also dependent in large measure upon the prosperity of the exporting industries for its markets. Under these conditions it would seem inevitable that any rational unemployment relief administration should revolve around a national unemployment scheme. The establishment of any number up to nine separate provincial unemployment schemes is unthinkable ---"

Right after the word "unemployment" and before the word "schemes" the word "insurance" should be inserted. I have included it in the copy of the brief I filed as Exhibit No.7. The omission is purely typographical.

"The establishment of any number up to nine separate provincial unemployment insurance schemes is unthinkable either from an economic, financial or political point of view. Therefore, if there is to be an unemployment insurance scheme, it must be under federal auspices, nation-wide and associated, as in Great Britain, with the type of national employment service recommended by the Purvis Commission.

The Constitutional Difficulty
Examined:

The basis upon which the burden of relief has been placed upon the provinces and municipalities is a legal one arising from the interpretation placed upon certain sections of the British North America Act by the Privy Council. This basis is described in detail in Part II of this brief, its effect is tersely stated in the selections which have been quoted from the Purvis Commission's Report.

It may be noted in passing that this Commission recommends that, as long as the present constitutional basis exists, the method of granting aid by the dominion to the provinces shall be upon certain basic principles set out in the report. Whether we can assume from the clause in italics above noted that if the present constitutional basis had not existed or ceased to exist, the Commission's recommendations would have been, or would be, different from those made, we may point out that the same constitutional difficulty exists with respect to the appointment of this national employment service as exists with respect to the

"assumption of relief by the dominion government. Provincial acquiescence does not overcome this constitutional difficulty. It is, of course inconceivable that any of the provinces would question the validity of the appointment of such a national employment service."

COMMISSIONER BIROIS: Is it really inconceivable?

HON. MR. GARSON: I must say that it seems to be from my point of view; though my point of view is not shared by others. To continue:

" Not only is its appointment an essential step towards rationalizing unemployment relief in Canada; but the cogent reasons for its appointment so succinctly developed in the report are precisely the reasons why in the whole field of relief administration, a uniform administration by the Dominion Civil Service is the only thinkable solution to present difficulties. The only thing that stands in the way of the dominion taking over relief as it should is the constitutional difficulty; and this same difficulty, in spite of provincial acquiescence, would seem to stand in the way of the national employment service which the Purvis Commission has recommended".

I think I should interject here an explanation of the term "provincial acquiescence". Not long ago Mr. Purvis made a trip through western Canada in the course of which he asked the Manitoba government whether they acquiesced in the establishment of this National Employment Service, and we said we did. Now my understanding was that it was not being suggested that we should pass any legislation, and when I speak of provincial acquiescence I mean simply the

acquiescence of Ministers. I am not to be taken as stating that provincial acquiescence means the same thing as legislative cooperation. The brief goes on:

" Reasons for Dominion Administration and Financing of Relief are Analogous to Those Advanced by Purvis Commission for National Employment Service:

On the next page we paraphrase the Purvis Commission's recommendation for a national employment service -- with which, needless to say, we heartily agree -- for the purpose of applying the Commission's argument regarding the employment service, to the wider question of relief administration in general."

On page 66, in the left hand column, we give the verbatim text of the Purvis Commission's interim report setting out the reasons why they were recommending a National Employment Service for Canada; and in the right hand column is a paraphrase of those reasons as applied to uniform relief administration. With your permission, Mr. Chairman, I will read the right hand column:

" Paraphrase and Application of Reasons to Relief Administration.

It is evident that the first and most vital step necessary to the successful handling of unemployment insurance and relief is the development of a single, uniform efficient service throughout Canada. The present joint system of municipal, provincial and federal administration and financing of relief is unfitted to meet the exigencies of the situation. Divided responsibilities and diversity of aims between different provinces; unequal development as regards numbers, types and functions of local offices; unsuitable location of premises; defects

"in provincial boundaries when used as economic administrative units have all tended to result in overlapping waste and inefficiency.

It is the experience of Great Britain that joint administration by the National Government and county and county borough councils was unsatisfactory and joint financing under the same joint auspices unsound in practice.

Bearing in mind the indispensability of providing a uniform minimum social service for Canadians throughout Canada; of freedom from improper local pressure and maladministration if and where such exist; and of a single dominion source of uniform relief statistics as the basis of a single uniform unemployment insurance and unemployment assistance policy, we submit that the entire administration and financing of relief be handled as a single national system by the dominion government. The situation calls for an improved and uniform service which will cost the dominion more, but it is recognized that national administration in itself would not add anything directly to the total cost to the country as a whole, and would indirectly effect great savings in removing, in part at least, the disequilibrium which has been caused by the present dominion-provincial financial set-up in general, and division of responsibility for relief in particular. We firmly believe that the extra cost to the dominion government would be more than offset by efficiencies, by the removal of improper local pressure and local maladministration, if and where such exist, and that upon balance,

"substantial economies in the long run and greater budgeting accuracy for the dominion forthwith, would result."

COMMISSIONER MacKAY: I understand that you are taking into account not only relief for unemployed but relief for unemployables? That is to say, you are grouping unemployment insurance, unemployment relief and poor relief together.

HON. MR. GARSON: No. I endeavoured a moment ago to make clear that there are three classes of persons. There is the wholly unemployable, the medically unfit or the misfit, and that has always been a provincial responsibility. So far as our brief is concerned, we think they should be under provincial administration, with dominion assistance.

COMMISSIONER MacKAY: That was not clear.

HON. MR. GARSON: Well, this particular language refers only to unemployables; and the position of unemployables within the meaning of the Purvis Commission's report is in suspense until the final report is received.

I go on now with the brief:

" If in this paraphrase we have presumed, and admittedly without proof, to refer to conditions as facts which have no existence in fact, we vindicate our presumption by suggesting that if, under the present relief administration system, such conditions do not exist, it must be quite accidental.

An informed British view, based upon long experience, is worthy of quotation at this point.

' Local authorities have repeatedly urged that the state should take over full administrative and financial responsibility for the maintenance'

'of all the able-bodied unemployed.

This was promised by the Minister of Health in the House of Commons in a speech made in April, 1933. To a great extent the Act (The Unemployment Insurance Act, 24 and 25 Geo. V., cap. 29) gives effect to this principle and should result in a substantial saving to local authorities. The administration of assistance to the able-bodied unemployed was imposing excessive strain on the machinery of local government, especially in the distressed area. The Act and the financial provisions made in connection with the scheme will relieve local authorities of a large proportion of a very heavy burden.

The problem is not local but national in its scope, and if it is to be effectively handled it must be through some national machinery."

Page 455 follows.

"The central authority will be able to cooperate more fully with voluntary associations which have been formed to help the unemployed. It will be able to view the industrial field as a whole."

One of the points that Mr. Purvis brought out when he was here was this: In many areas in eastern Canada today there exists a serious shortage of skilled labour. In other areas of Canada there exists a surplus of unemployed skilled labour; and until some national service could bring the need in one area into contact with the surplus in the other, no satisfactory outcome could be reached. I do not think I will read the remainder of this quotation.

THE CHAIRMAN: No.

HON. MR. GARSON: I shall now continue reading from the bottom of page 67:

PRACTICAL DIFFICULTIES IN
THE OF DOMINION ADMINIST-
RATION NOT INSUPERABLE.

"It has been said that the insuperable obstacle to Dominion administration is the practical difficulty of setting up and properly supervising a branch of the Civil Service throughout Canada for this purpose. No difficulty whatever was experienced in this regard in other important Dominion services such as the income tax service. No one suggests that it is unwieldy, or less efficient than the provincial services where they exist. As a matter of fact, by reason of certain advantages inherent in a national relief administration, and which would have their counterpart in a national relief administration, just as the Purvis Commission has suggested that they have their counterpart in

a national employment service, the national income tax collection service tends to be more efficient than the provincial. Where the provincial and municipal relief officials are efficient they could be taken over. It would be rather a remarkable confession for the Dominion to suggest that these men would be less efficient when working under Dominion auspices than when working under provincial. If and where the municipal and provincial officials were inefficient, the needs not be taken over, and there should be a net gain in efficiency here. As regards any balance of staff which might be required, and which could not be filled from the existing Dominion service, it may be said that in these days when the services of so many young professional and other trained men of the first rank are to be had for a moderate figure, the argument that an efficient service cannot be set up is quite unimpressive.

Moreover, the Purvis Commission, as has been noted, recommends upon the most excellent reasons the appointment of a national employment service for Canada. For reasons which have been stated, a national unemployment insurance scheme would seem to be an essential of any real attack upon unemployment. A nation-wide service is essential for the successful operation of each of these schemes. With the national unemployment insurance and the national employment service staffs housed and functioning, we submit that it would be more simple, more efficient and less wasteful, to make a measurable addition

to these staffs for a national unemployment relief administration, rather than to continue the maintenance and housing of separate provincial staffs in each province, together with a great number of municipal staffs from one end of the country to the other as well. What is involved here is not merely a matter of expense. Speaking, for example, of the preliminary work in breaking the problem into its component parts by statistical analysis, the Purvis Commission states:

'Considerable difficulties have been met in this phase of the work, easy to understand when it is borne in mind that in the relief registration alone, the cooperation of officials in all the provinces and in over 1,800 administrative units has been required.'

In this connection the fact should not be lost sight of that of the employables and partial employables in the whole of Canada, two-thirds of their number are in cities of 25,000 or over and approximately 85 per cent in towns or cities, so that that single uniform organization would not need to be as wide-spread as might appear. Many of the rural municipalities, in the entire number of which only 15 per cent of the persons on relief are congregated, could be handled by a single inspector covering a wide area. All in all, the difficulties are not by any means insuperable, nor anything like as incapable of solution as the past, present and future effects of the present system of relief administration."

COMMISSIONER MacKAY: There is a point I should like to raise here; under the present system of relief administration there seems to be this advantage: the municipality has a vested interest in keeping relief costs down because it has to bear part of the burden. Under the scheme you propose here it would have no such interest, nor would the provinces. It seems to me your suggested system might lead to political pressure on the part of the municipality and the provinces upon the central authorities for increases of relief.

HON. MR. GARSON: It is always difficult to discuss these matters with newspaper men present, because chance remarks may be exaggerated beyond the importance that should be given to them; but might I commit the discourtesy of replying to your question with a question? Bear in mind the fact that two thirds of this unemployment relief problem is in cities of 25,000 and over. Do you think that there are no cases in Canada where there is not improper municipal, political pressure brought to bear.

COMMISSIONER MacKAY: No, I do not think that. I was thinking of uniform administration by the provinces.

HON. MR. GARSON: I think your point is quite well taken. I would balance against that the affirmative answer to my question and say that the one pressure, at least, might offset the other.

COMMISSIONER MacKAY: Let us put it this way: at the present time the municipalities and the provinces have a vested interest in keeping relief costs down.

HON. MR. GARSON: I think that depends a great deal upon circumstances and administration.

COMMISSIONER MacKAY: They did not realize the extent of the burden at the outset but they soon did. I know of one or two municipalities at least where the local burden

of relief quickly induced caution and care in relief expenditures. Now, under your scheme there is no such advantage at all.

HON. MR. GARSON: I want to make it perfectly clear that when I am discussing this I am not referring to any living person or any -

THE CHAIRMAN: Discuss it in the abstract.

HON. MR. GARSON: The trouble is, what I discuss in the abstract comes out in headlines in the concrete. Suppose we take a hypothetical city in a hypothetical province in a hypothetical country with a relief administration the same as ours. Let us put it this way: if we as a nation had foreseen, when the relief problem started, that it was to be of such long duration and had done then, as we properly should have done, provided for all the shares of all national, provincial and municipal bodies out of current revenue and had taxed ourselves that money then there would have been a very much greater political pressure to keep it to the minimum than there has been. But under existing conditions where the money in a great many cases for the municipal shares is borrowed, and the provincial share is borrowed from the Dominion Government --

COMMISSIONER MacKAY: In the hypothetical province?

HON. MR. GARSON: Yes, that is right.

THE CHAIRMAN: The Dominion's share is borrowed?

HON. MR. GARSON: Yes, and the Dominion share is borrowed. No person has to pay, except probably our great grandchildren who will have to pay the taxes to meet that relief. What is the political pressure then? I suggest that the pressure takes the form of pressure of the chap who is on relief; and that is not offset by the chap who has to pay because it is being borrowed.

We are not paying it. If we had to pay taxes for everything that we pay out for relief then there would be a pressure on one side balanced by the pressure on the other. But I submit in all seriousness that in the hypothetical city in the hypothetical province in a hypothetical country having a relief system such as ours that did not balance, there would be less political pressure under the system I have suggested, by a great deal, than there is now.

COMMISSIONER ANGUS: I have another question to ask you relating to that. On page 64 you speak of minimum standards of living, social services and so on. Would that imply that relief scales should be uniform throughout Canada, or would that be related to wage scales and living costs province by province?

HON. MR. GARSON: Well, I might answer that in the way an economist would appreciate. Is there not a nominal wage and a real wage?

COMMISSIONER ANGUS: Yes.

HON. MR. GARSON: I would have in this case a real relief scale, uniform.

COMMISSIONER ANGUS: That, from an economists point of view, answers half the question, but only half. It relates to the problem of living costs. But suppose you have different real wages in different provinces of Canada. Should the scale be related to the prevalent wages of the district or should it be uniform?

HON. MR. GARSON: Well, I must confess that in this presentation the language that has been used is intended to be a statement of a principle, rather than a statement of detail. I certainly would not undertake, with my admittedly inadequate knowledge of relief, to make a statement in regard to that. I think it would be much better to have that left to the Unemployment Commission that was set

up to determine what would be the effect.

COMMISSIONER ANGUS: Perhaps I might put it in this way. The hypothetical employers sometimes complain that the relief scales may be put so high in relation to the wage scale as to make it extremely difficult to keep their labour force. If the scales were uniform throughout Canada they might operate very curiously in any district in which they came above the minimum wage rate level.

HON. MR. GARSON: I think it would be very difficult to forecast what might be the conclusions of a commission who would study the subject; but certainly that has not been the experience in Great Britain. As I understand it there is no temptation there by reason of the subsistence allowance or the unemployment assistance allowance given to remain out of employment.

COMMISSIONER ANGUS: I suppose the difference is this: different provinces have different wage levels or scales.

HON. MR. GARSON: Yes.

COMMISSIONER ANGUS: Under the present constitutional arrangement resulting from the Privy Council decisions the provinces control conditions of work, minimum wages, etc.

HON. MR. GARSON: That, of course, is the crux of the problem if I may express it that way. If the Dominion is to be enabled to provide an unemployment insurance scheme, would it not follow that the dominion would have jurisdiction over these other social conditions, such as hours of work, minimum wages, and so on.

COMMISSIONER ANGUS: That is what I wanted to come to. I am referring to the question of whether Dominion Administration is practically desirable and whether it involves the further question of Dominion authority over such things as wage rates, hours of work, and conditions of work, and so on.

HON. MR. GARSON: I think I would put it this way: I should say it would not necessarily involve that. But if that other principle were conceded it would greatly simplify the unemployment relief administration. I do not think it can be said that it would be absolutely necessary for the dominion to have control over wages, hours of labour, minimum wages and so on, in order that there could be an efficient relief administration. The difficulty which exists by reason of the fact that the Dominion has not jurisdiction over hours of labour and minimum wages could be overcome in relief administration. It would be difficult I admit, but still it could be overcome.

COMMISSIONER SIROIS: Do you think there would be a charge of discrimination against certain provinces if the rates were not uniform?

HON. MR. GARSON: Well --

COMMISSIONER SIROIS: I am not suggesting that you are wrong, but it might lead to discrimination in the different provinces.

HON. MR. GARSON: I think that it might. It is rather hard to forecast what would be done in the future. I think it might; but is this not also true: under present conditions we provide in the various provinces of Canada unemployment relief. In Manitoba we provide unemployment relief and the moneys with which we provide that are borrowed, and they are beyond our productive capacity to raise out of taxation. We cannot go on forever doing that. When we reach the point where we cannot get any more then our relief would have to suffer.

COMMISSIONER SIROIS: I am not speaking of the federal scheme.

HON. MR. GARSON: No. I agree with regard to the federal scheme. The point I was trying to make, Mr. Commissioner, is this: we have a greater complaint on grounds of discrimination under the present system than any possible ground of complaint that could exist under the federal scheme; because, as I say, if we keep borrowing there must come a time when we will not be able to borrow any more. Then, if relief is cut down where do we stand; or where do we stand now for that matter if we borrow and go into debt and have to impose more taxation? Taxation in Manitoba, in relation to income, is 40 per cent higher than the average for the provinces of Canada. Is that not discrimination? I suggest you will not get twenty per cent discrimination under Dominion unemployment relief schemes. At the maximum, you would not get that

(Page 464 follows)

I now come to the summary on page 69:

"In summarizing this Part we ask the Commission to find that:

1. The original plan of Confederation was based upon a social philosophy which did not recognize as a responsibility of the state the provision of:

(a) Social Services as we have them today, such as , for example, unemployment relief; pensions for the aged, for widows and for the blind; health and unemployment insurance under state auspices.

(b) Education on the scale now demanded by the citizens.

2. That the Fathers of Confederation specifically did not intend the provinces to have any responsibility for, and/or did not in the financial plan of Confederation provide the provinces with adequate financial capacity for the provision of the aforesaid Social Services and increased educational costs."

Mr. Chairman, I do not want to take up time unnecessarily. Would you prefer I read this, or not?

THE CHAIRMAN: Does it add anything to what you have already said?

HON. MR. GARSON: No; it is merely a summary, Mr. Chairman.

THE CHAIRMAN: Well, I do not think it is necessary for you to read it.

HON. MR. GARSON: There is a further reply to your question as to whether it adds anything. There is, I think, a slight difference in meaning added by item 21:

"21. That the financing of relief is quite

beyond:

(a) The present revenue producing capacity of Manitoba.

(b) The revenue producing capacity which it is possible or desirable for every province in Canada to acquire under a change in the Canadian constitution.

22. That the present system of financing relief:

(
now, the sense of that is this, Mr. Chairman: No matter how wisely we may plan, or no matter how wise may be the policies of the Dominion Government there is always going to be a considerable variation in the wealth and the income of the various provinces of Canada; and in order to bring the income of the provinces, which may happen from time to time to be the poorest in Canada - that is monetarily - up to the level where they can finance this unemployment relief, it would seem that a plan that did that would give too great a financial power, as a province, to the one which was wealthiest. Therefore that is another reason why the administration of relief should be under dominion auspices. Whatever plan we adopt must apply to all provinces equally, the richest and the poorest. If we raise the richest in financial capacity or revenue producing capacity, raise the poorest where it can take care of its heavy burden of relief, what is going to be the position of the richest under the plan, and the condition of the Dominion, which has to draw its revenue from the same sources?

COMMISSIONER DAFOE: Does your proposition include the assumption that the necessary levels of social services will be continued above the taxable capacity

of a number of the Canadian provinces.

HONOURABLE MR. GARSON: Well --

COMMISSIONER DAFOE: Could the taxing powers of the provinces be enlarged to the point where they could maintain a minimum social service adequately.

HON. MR. GARSON: No; I think they could not. I think the answer to that is in the negative.

COMMISSIONER DAFOE: You think that is a permanent factor, and it would not be possible to endow the provinces with taxing power which would permit those provinces to maintain social services which would give the citizens in those provinces a fair start in life as compared with the citizens in the more advantageous provinces.

HON. MR. GARSON: Yes.

COMMISSIONER DAFOE: That is included in your philosophy and your scheme?

HON. MR. GARSON: That is it, precisely. In other words, it is as difficult now as it was in 1867 to foresee what the history of every economic area is going to be, how it is going to rise or fall. It may be that twenty-five or thirty years from now the areas which are now well endowed may, by some combination of circumstances, be in a position of disadvantage. The only way in which a national minimum standard of social services can be reached for Canadians, wherever they may be, is by increasing the amount of the percentage of the burden which will be borne by the Dominion Government, and then an evening up can take place, no matter what the future may bring. If the future brings more wealth to western Canada and loss to eastern Canada through some fortuitous change in circumstances, the plan would take care of it. If on the other hand

the present condition is further accentuated, the plan would take care of it; whereas the difficulty with the present arrangement is that all we do is let the difficulty develop in certain areas of Canada and then devise expedients of one kind or another, pour some money in it, put it up a little bit and leave the fundamentals unchanged.

This brings us to the conclusion of our remarks upon the Treasury Problem of Manitoba. We have tried to make these remarks as concise and yet as comprehensive as possible. We hope they will be of some assistance to the Commission in its important task.

THE CHAIRMAN: Thank you very much for your very important contribution to the matters we have to consider. May I call your attention to a matter that has been brought to the attention of the Commission, a matter with which

I should like you to deal before you conclude your observations. It has been represented to the commission in communications to the Chairman of the Commission that the Commission should give every consideration to the question of consolidating the present administrative services. I should like to refer to a particular one that came to me yesterday. It has been suggested that the present set-up of 9 provincial powers to administer the affairs of eleven million people is both wasteful and unnecessary; and suggests five administrative units: The Maritimes, Quebec, Ontario, the three middle west provinces and British Columbia and the Yukon. Sometime before you conclude your remarks I believe the Commission would be pleased to have your observations with regard to this suggestion.

MR. PITBLADO: What were the five units suggested?

THE CHAIRMAN: The five units suggested were: The Maritimes one, Quebec one, Ontario one, the three prairie provinces one and British Columbia and the Yukon one. This communication came from a citizen of one of the prairie provinces.

HON. MR. BRACKEN: Mr. Chairman, we would be very glad to contribute such opinions as we may have. I may say a few years ago I advanced a proposal of that kind with regard to the three prairie provinces, and if another one does not receive any more favourable consideration than that did there is not very much hope of its accomplishment throughout Canada.

THE CHAIRMAN: I did not get that.

HON. MR. BRACKEN: A few years ago I advanced a proposal of that kind with respect to the three prairie provinces, and I was about to observe that if another one coming now was not any more favourably accepted than that there would not be much hope of its accomplishment throughout Canada.

THE CHAIRMAN: Would you give the Commission the benefit of your views sometime before you conclude your observations as to whether it will involve a substantial saving in public expenditure, and as to its practicability or impracticability. There is no doubt the question is being discussed unofficially in various centres of Canada. This is not the only communication we have received, we have received other communications to the same effect. I think my colleagues will agree with me when I say we should very properly ask the prime ministers of the three prairie provinces to give us the benefit of their views on the matter.

HON. MR. BRACKEN: I shall be very glad to do that. At the moment I may say this: we did advance the idea a few years ago. I think it is worthy of the most careful exploration. I think a good many people expect there would be more economies in that arrangement than can be effected by bringing these different units together. There would be very great difficulties in the way of working it out. Substantially, these are our views on the matter. But quite seriously I think that matter should be thoroughly explored, and that has never been done.

THE CHAIRMAN: Mr. Bracken, may I ask you to speak a little louder. Mr. Garson's presentation was par excellence. We could all hear without difficulty. I know there are complaints from the reporters, but I have tried to remedy that. We are very anxious to hear quite distinctly everything you say.

HON. MR. BRACKEN: I have no hope of coming up to the standard set by Mr. Garson, but I shall do the best I can. At the outset of my remarks I wish to thank the members of the Commission for the compliment that is paid Manitoba and the sympathetic interest it has shown in the views we have tried to put forward; also for the care and patience the Commission is taking in trying to weigh the case we are presenting. If you will be patient for another few hours you will have heard our story. Our hope is it will prove helpful to you in the heavy responsibilities that rest upon you.

This Commission has been instructed, among other things, to "examine the constitutional allocation of revenue sources and governmental burdens to the Dominion and provincial governments," and to "consider and report upon the facts disclosed by your investigation."

In the first part of my remarks I shall try to give what I call a practical summary of what has been given

to you, by trying to show that you have been asked to examine the division of responsibility and its results in the light of the economics of the last seventy years.

In the first part of my remarks

I shall try to set out some of the factors that have contributed, in our view, to the economic and social conditions that now exist. And at the end I will advance to main proposals that we submit as our suggestion as to how the situation should be met.

"In approaching this problem the first duty of those who appear before you, it has seemed to us, is to set out what the present relationship is. This the Attorney-General has attempted in the very full statement already given you. This statement seeks to sum up and to clarify the present position and to provide a basis for our presentation as well as a starting point for your work.

DOMINION-PROVINCIAL RELATIONS

- (1) What has been shown to be the division of responsibilities between the Dominion and the provinces as determined by our constitution?
- (2) What is the division of revenue sources between the Dominion and the provinces as fixed by the constitution?
- (3) What is the effect of judicial interpretations of the different features of the British North America Act on the division of responsibilities and revenue sources between the Dominion and the provinces?

The answers to these questions have been set forth in very considerable detail in Part II of

this submission. For all practical purposes they may be summarized as follows:

- (1) With regard to responsibilities, the Constitution provides that:
 1. The Dominion shall have general jurisdiction in "all matters of national importance," including twenty-nine different classes of subjects specifically named, and the residuary powers in all matters "not assigned exclusively to the province."
 2. The provinces shall have exclusive jurisdiction in some sixteen classes of subjects, including all matters of a "merely local or private nature in the provinces," but the provinces shall not have jurisdiction beyond the specific powers given.
 3. There are some matters over which the powers of both governments overlap.
- (2) With respect to revenues, the Constitution provides that:
 1. The taxation powers of the Dominion are unlimited, no fields of taxation being closed to it.
 2. The taxation powers of the Dominion are unlimited, to direct taxation.
- (3) With respect to the judicial interpretations of the British North America Act, the practical effect, in actual administration, is as follows:

1. The responsibilities of the Dominion have been limited within what, we submit, was originally intended, while its taxation powers remain unlimited.
2. The responsibilities of the provincial governments are in fact increased beyond what, we submit, was intended but their taxation powers still remain limited to direct taxation.
3. The Dominion government, which was intended to have, and which should have, all the general residuary powers not specifically allocated to the provinces, finds by interpretation of the constitution that its hands are tied with respect to certain things which it desires to do.
4. The Provincial governments, which were intended to have jurisdiction only over matters of a "merely local or private nature" find themselves in the paradoxical position of having limited taxing powers, and at the same time find left upon their doorsteps unexpected and heavy responsibilities which some of them find it impossible to bear;
5. The Dominion government is prevented from assuming certain responsibilities for the social security of its citizens, while some of the provinces are being forced into bankruptcy because they cannot raise the necessary revenue to meet the cost of these and other responsibilities

now placed upon them;

6. On the whole the result is that the nation finds its hands tied while unsolved problems pile up and rapidly lead to grievances; at the same time new problems arise which cannot even be tackled because of legal limitations on the government that might solve them, and economic limitations on the provincial and municipal governments now held responsible for solving them.

These are some of the results of the scheme of Confederation as it has been interpreted and as it is actually working out. This is the situation you have been asked to examine. At a later stage in this presentation we shall advance certain suggestions for your consideration as to how in our judgment this situation can best be met.

CONDITIONS TODAY.

Not only has this Commission been asked to examine the constitutional division of responsibilities and revenue sources of 1867, but also the results of that division in each of the provinces of Canada.

We have shown the unfavourable effects of certain Dominion policies upon this part of Canada; we have pointed out in considerable detail the decline in income and its effects; we have likewise dealt with the financial position of the municipalities and school districts and of the provincial government.

After sixty-seven years of association with the other provinces and the Dominion in Confederation, what, in brief has been shown to be the economic condition of Manitoba today?

While we shall reserve a more detailed answer to this question to a later part of this submission, we wish at the moment to summarize the position in which the people of Manitoba, including their governments -- provincial and municipal -- and their school districts, find themselves. This position may be briefly stated as follows:

- (1) Individuals in large numbers find themselves with decreased incomes, and increased load of debt and an accumulation of arrears of taxes;
- (2) Many municipal governments, as a result of declining revenues and the increased burden of social services, accompanied by the distressed condition of individual taxpayers, find themselves with unbalanced budgets, unable to meet their debt charges in full, unable to provide an adequate standard of the social services for which they have been made responsible, and unable, more particularly, to finance the increased requirements for certain of these services during recent years;
- (3) The provincial government, while suffering a heavily decline in revenue, has been called upon to meet increased expenditures for relief and social services, and rapidly increasing debt charges upon the monies which it has been forced to borrow for relief purposes. In spite of the most drastic economies, involving the partial starvation of many essential

public services, and notwithstanding unprecedented increases in taxation to meet even the minimum demands of these services, the provincial government has found itself unable to maintain a balanced budget, except on so-called current account, and has been forced to borrow practically the whole amount of the requirements for unemployment relief during the last seven years;

- (4) The school districts, which derive their main support from the municipalities but receive some assistance through statutory and other grants from the provincial government have been forced to carry on with greatly reduced assistance from the municipalities. As a result, rural school education has been maintained only by the unexampled sacrifices of teachers and taxpayers alike. The drastic reductions of teachers' salaries, consolidation in many cases of the pupils of two or more schools under one teacher, special grants to the more needy schools from the provincial treasury, and establishment of correspondence courses by the provincial government in order to meet the needs of numerous isolated cases, are only some of the expedients which sheer necessity has forced upon rural education.
- (5) General conditions in Manitoba at the moment are better than at any time

during the past seven years, due to higher than average prices for primary products during the last two years and to more than average crops this year, except along our western boundary. While increased returns have temporarily eased the situation, they furnish no excuse for further delay in making certain fundamental adjustments which are necessary in our economic and governmental relationships, if the federal system as we have it is not to be subjected to strains which will further weaken the structure of Confederation.

ECONOMIC AND SOCIAL DEVELOPMENTS

In your instructions it is noteworthy that you have been asked to examine not only the constitutional allocation of responsibilities and revenues, and the past results of such allocation, but you have been asked to do so "in the light of the economic and social developments of the last seventy years."

You will therefore wish to inquire, as we have sought diligently to find out, what lights the political, economic and social development of the last seventy years have shed upon the problems of today? Our study indicates that while the history of the early years sheds but little light upon present-day problems, the mid-Confederation period furnished more, the last three decades a very great deal, and the last ten years a veritable flood.

We have already shown that the weaknesses in

the financial set-up which came into existence with Confederation in 1867 have become only too evident with the growth in social consciousness of our people and the resulting demands upon governments, more particularly after the first decade of this century.

We have shown that with the precipitous decline in income of both individuals and governments in recent years, and the great increase in governmental requirements for social services, including unemployment and agricultural relief, the problems of individuals and governments and municipalities and school districts have been kept within manageable proportions only by sacrifices of an unprecedented character on the part of all our citizens -- sacrifices which it is impossible to expect them to continue to make.

The last quarter century with its termination in the depression has set out in bold relief the vulnerability of our western economy and some of the weaknesses of our governmental set-up as these have developed since 1867. If we have come through the last decade of this period with any credit to ourselves, the thanks are largely due to the rank and file of our people. While they have been critical of the conditions that brought about their economic difficulties, yet they have kept their feet on the ground, and with a maximum of economy and patience and sacrifice, have met each problem as it came along, including six long years of the most serious depression any Canadian community, with the exception of Saskatchewan, has ever been called upon to face.

There is probably no one who will deny that the people of western Canada have stood up under the tremendous handicaps of low prices, poor crops, high taxes, reduced services, annual losses of income and periods of unemployment, with a courage and fortitude seldom before witnessed. If, in the course of six or seven years of continued repetition of some or all of these conditions, considerable numbers of them have come to the conclusion that their difficulties have not been adequately met by our society, including our institutions of government, that result is scarcely to be wondered at. Under the stress and strain of the last seven years, in the minds of some, confidence in the ability of governments to meet these conditions wisely and justly has been shaken. While the average citizen does not appreciate the difficulties involved in adjusting the set-up of modern civilization to meet the demands of a major crisis, he nevertheless fully appreciates the effect of the inequities that from time to time thrust themselves upon him, inequities that when long continued develop into grievances and these in turn, unless redressed, inevitably lead to extreme types of radical thinking.

From these developments western Canada in recent years has not been free. This Commission appears late upon the scene. The task it faces is therefore the greater because not only have economic conditions to be analyzed, and the governmental structure to be revised, but the depression psychology of large numbers of people is a problem which has to be met. This triple challenge which faces you and us will be successfully met only to the degree by which the findings

of this Commission and the subsequent policies of governments generally meet the demands of a greater measure of economic and social justice. To those who have borne the brunt of a heavy and inequitable burden during the hard times of recent years half-way measures of redress will not be adequate. In our judgment the institutions of government in Canada, and the members of this Commission, are facing a problem which, in the interests of Canadian unity, they must not fail to solve.

1867 AND AFTER

The suggestion that this section of the Dominion was brought into Confederation more in the interest of Canada than in the interest of its own future, it will profit us little to discuss now. The idea in the minds of some that the advantages to Manitoba from joining Confederation were more than offset by the disabilities may be passed over for the moment. Whatever course a different policy would have made possible, it is of little consequence to speculate on such things now. We are in Confederation. What has been done has been done. What remains to be done is what matters. The problem now is to remedy the weaknesses that exist in the basic structure that has been erected and to build a superstructure as wisely as it can be built.

You have been delegated to diagnose certain aspects of this problem "in the light of the economic and social developments of the last seventy years." In this connection we would point out that certain of those developments now constitute disabilities upon this part of Canada. If, in your diagnosis of the problem, it is made to

ap

appear that these disabilities are of some magnitude, let it not be thought that the advantages of Confederation are being questioned. Quite the contrary is the case. It is our view that Confederation has advantages which we cannot afford to lose and which it is the aim and purpose of the great majority of western Canadians to help develop. But it is our view also that if disabilities of some magnitude are present, it is in the interest of the nation they be removed or adjusted before discontent upon a major scale develops. And it is our view further that it is to the advantage of the community at large that any such disabilities be brought under the most careful scrutiny and diagnosed and understood, in order that suitable remedies may be determined, and that those remedies may find acceptance by the Canadian people and be adopted by their representatives in Parliament.

In presenting our views on the effects of "the economic and social developments of the last seventy years" upon this portion of Canada, which we propose to do in some detail, we do not wish it to be understood that failure to discuss the advantages of the West does not mean that there are none. It is now very generally known that much of our soil is rich, our land prices low, the quality of our agricultural products high, the climate healthful and the seasonal distribution of precipitation, if not the total amount, favourable. Our resources of mines and forests and streams are matters of common knowledge, our transportation and marketing facilities well developed, and our social and

educational facilities well organized.

The advantages of our economy are not discussed in this presentation, because they have been frequently stated and often emphasized in the past and are already well understood. The disabilities are discussed because they are such that they are now limiting our maximum development, and because if the Canadian people are to develop sound constructive national policies they can only do so to the extent that each part thoroughly understands the disabilities, as well as the advantages, of every other part of the nation.

With these observations in mind, let us then proceed to a review of certain of the political, economic conditions which now constitute disabilities upon this section of Canada.

THE CHAIRMAN: Perhaps this is a convenient time to adjourn.

MON. MR. BRACKEN: Yes. May I submit part 8 as a part of our submission?

EXHIBIT NO: 8: Manitoba's Case ...
Summary and Recommendations.

The Commission adjourned at 1.00 p.m.

(Page 490 follows)

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

HON. MR. BRACKEN: When we adjourned for lunch, Mr. Chairman, I had reached the top of page 8 of Part VIII of Manitoba's submission, and I will continue from that point.

FOUR GROUPS OF DISABILITIES

"The disabilities that have developed during past years and that are now resting upon this section of Canada fall naturally into four groups:

1. Disabilities arising from the Confederation set-up and judicial interpretations of it.
2. Disabilities arising from unfavourable federal policies:
3. Disabilities arising from the incidence of certain extraneous factors."

The term "extraneous factors" includes a number of factors that do not fall under any of the other three headings. Then follows:

- " 4. Disabilities arising from certain inherent conditions.

Those disabilities which are the result directly or indirectly of the constitutional set-up are matters of immediate concern to this Commission in the discharge of its duties. Those which arise from other circumstances/^{not} directly or indirectly related to the division of responsibilities under Confederation are, in some degree, beyond the power of our system of government to remedy: nevertheless all of them are of concern to this

Commission and to the people of Canada, not because they can be altered by the Government of Canada but because if the Government of Canada is to serve its citizens with equity, cognizance must be taken of the major disabilities of every section of the State in order that the policies determined upon may be fair and just, and such as will promote harmony and unity in the State.

1.--DISABILITIES ARISING FROM THE CONFEDERATION
SET-UP AND JUDICIAL INTERPRETATIONS OF IT.

The disabilities arising from the Confederation set-up and the judicial interpretations of it may be discussed under five headings:

- A.--The failure of the Act of Confederation, as interpreted to place upon the Dominion government with its unlimited tax base commensurate responsibilities for the welfare of its citizens.
- B.--The burden to the provinces of the cost of social services not contemplated sixty-seven years ago, but now by practice and judicial interpretation assigned to the provinces:
- C.--The inadequacy of the tax base allotted to the provinces to meet the responsibilities now placed upon them:
- D.--The constitutional inability of the Dominion government to assume and discharge its proper share of the new responsibilities now generally recognized as belonging to central governments:

While that relates quite closely to what we discussed under A, it refers particularly to any other responsibilities which up to the last few years have been carried on by any governments. Then:

" Unemployment Relief;

E.--The cost of overlapping responsibilities and services."

Now to deal more in detail with A:

A.-- THE FAILURE OF THE ACT OF CONFEDERATION AS INTERPRETED TO PLACE UPON THE DOMINION GOVERNMENT WITH ITS UNLIMITED TAX BASE, COMMENSURATE RESPONSIBILITIES FOR THE WELFARE OF ITS CITIZENS.

"In Canada, as contrasted with other countries, the responsibility for many social services has gradually been placed almost wholly upon the provinces rather than on the Dominion. In 1870, when Manitoba entered Confederation there was, for example, no system of pensions to widowed mothers for child welfare, no government construction of highways, no old age pensions and no unemployment relief. None of these was contemplated in 1867 by the Fathers of Confederation as the responsibility of the provinces. But in 1937 all of these, and others as well are looked upon as essential government services and are interpreted to be constitutional responsibilities of the provincial governments."

THE CHAIRMAN; No doubt you are correct; I assume you have checked it up, but was there no contribution prior to 1867 by the provinces for the construction of highways? Was it wholly a municipal burden?

HON. MR. BRACKEN: I would not care to give a specific "No" to that, but I am simply stating here that as a general policy it was not done, but what you suggest,

Mr. Chairman, may be correct. There may have been some assistance by central governments, but we know of none. To continue with the brief:

"The result of this trend in the case of Manitoba, where the "general expenses of government" made up more than two-thirds of the total expenditures in 1885 and all other items took less than one-third, is that the expenditures for other than general purposes of government increased from 32 per cent of the total in 1875 to 92 per cent in 1936. On the other hand, while the expenditures for these new services were increasing so fast, the annual subsidy, which was the chief source of revenue given the province at the time it entered Confederation, and which made up 88 per cent of the province's total expenditure in 1875, had dropped by 1936 to 12 1/4 per cent."

The members of the Commission will understand, of course, that the percentage in relation to our revenues and expenditures steadily became less. Continuing with the brief:

"Thus Manitoba and the other provinces of Canada have found themselves in a position as to financial responsibility in which, we contend, it was never intended they should be placed, in which it is unwise they should continue to remain, in which many find it difficult to carry on, and which most of them consider inequitable and contrary to the best interests of the nation. Yet, aside from the services for returned soldiers, the Dominion government has accepted no major responsibility for any important social service

except Old Age Pensions, and in this case it has not assumed the whole cost, one-quarter still remaining a charge upon the provinces.

We submit that the interpretation of the British North America Act which places upon the provinces the financial responsibilities for such essential public services is the primary cause of the break-down of municipal finances in parts of Manitoba, one of the chief causes of provincial deficits here and elsewhere, and a fundamental weakness which must be remedied if Canada is to carry on as a unified nation."

I now deal with B:

B.--THE BURDEN TO THE PROVINCES OF THE COST OF SOCIAL SERVICES NOT CONTEMPLATED SIXTY-SEVEN YEARS AGO BUT NOW BY PRACTICE AND JUDICIAL INTERPRETATION ASSIGNED TO THE PROVINCES.

"It has been shown that most of the so-called social services now costing all the provinces so much money were not even contemplated as governmental responsibilities in 1867: also that no one in 1867 had any thought that services of this costly character should become the responsibility of the weaker provincial governments rather than of the stronger Dominion government; and it has been shown, as well, that the growth in total expenditures of the government of Manitoba is not to be found in the general expenses of government.

From 1881 to 1936 the per capita expenditures of the Manitoba government for purely governmental purposes practically remained stationary. They increased only six cents during that long period, or from \$1.60 in 1881 to \$1.66 in 1936.

" The causes of the large increase in total expenditure are to be found in the growing demands of education, in the growth of expenditures for social services, in the expenditures for public works, including highways, in expenditures for building institutions for the care and training of all classes of those who had become wards of the state, and in the increase in interest on the public debt.

During the period from 1881 to 1936 when the population multiplied eleven times, the general expenses of government increased from \$100,000 to \$1,200,000, or but very little faster than the population; but the cost of education increased from \$24,000 to \$1,700,000, or six times as fast as the population, while the cost of public welfare services increased from \$6,500, to \$2,600,000, or more than thirty times as fast as the population.

We submit that the inadequacy and unfitness of the financial plan of Confederation which in its working out has imposed this heavy charge on certain of the weaker provinces, if not remedied, will lead directly toward a disunited and a disaffected Canada, and away from that happy condition of national unity which was one of the chief purposes Confederation was intended to achieve. We submit that the train of events which left these burdens upon the doorsteps of the provinces is not a sufficient justification for an enlightened state leaving them there.

THE CHAIRMAN: Have you made any study, Mr. Bracken, of how the matter is dealt with in the adjoining

states of the Union, how they divide their responsibilities for services between the central government and the state government

HON. MR. BRACKEN: No, I cannot say that I have ,
Mr. Chairman.

THE CHAIRMAN: We will look into it and see.

HON. MR. BRACKEN: Our advisors say they have some information on the matter, and Dr. Grant can give you a reference where the information can be obtained.

THE CHAIRMAN: What is the reference?

DR. GRANT: A recent publication entitled, "Facing the tax problem," of the Twentieth Century Fund in the United States.

THE CHAIRMAN: Thank you.

HON. MR. BRACKEN: I will continue on page 10 of the brief:

C.--INADEQUACY OF THE TAX BASE ALLOTTED TO
THE PROVINCES TO MEET THE RESPONSIBILITIES
NOW PLACED UPON THEM.

That caption would have been more correct if it had read something like this: "Inadequacy Of The Tax Base .

Inability of certain of the provinces to meet the responsibilities now placed upon them:"

"It has been shown that while the per capita cost of general expenditures of the government increased proportionately no more than the population, the cost of education increased six times as fast as the population and the cost of social services increased thirty times as fast as the population since 1881. Thus the "flagrant error" of the constitution, to use Mr. Mr. Rogers' apt phrase, is clearly evident. Increases in the subsidy to the provinces were by the constitution to be based directly

"on increases in population, but unfortunately increases in the costs of government were determined not by increases in population but by public welfare services which increased, some six times as fast, and some thirty times as fast, as the population.

The provision intended to be made at Confederation, according to Sir A. T. Galt, was one by which the provinces were to be given "an insignificant amount of work" to be "as little costly as possible" because "an expensive kind of machinery" would "affront the intelligence of the people."

What was clearly the intention at the time of Confederation has turned out to be exactly the opposite, the provinces now finding themselves with a most extensive amount of work which they find very costly and expensive, and which, we submit, is not the allocation "the intelligence of the people" would now make.

It will be readily admitted that there have been, and will continue to be single years and groups of years when western provincial economies can maintain reasonable standards of public service. On the other hand there will be single years and groups of years when certain provincial governments cannot by any stretching of their purse strings meet the responsibilities now imposed upon them by the constitution as now interpreted. An extreme illustration is one outside our border--the southwestern portion of the province of Saskatchewan. No observant student of governmental

affairs can to-day, with any justification, say that that province, after half a dozen years of drought over one-third of its settled area and last year's drought over three-quarters of it can, without outside assistance, maintain a normal Canadian standard of all the public services for which the provinces are held to be responsible.

What can be said of that part of Saskatchewan to-day can be said also of considerable areas in each of the other prairie provinces in which the situation, if not quite as bad, approaches in severity that of the territory mentioned. For example, how can it be expected that the five drought area municipalities in southwestern Manitoba and municipalities in a similar economic condition in Alberta can maintain any reasonable Canadian standard of the social services allotted to them when for six years in succession crop failures have been the rule and not the exception?"

THE CHAIRMAN: That being so, Mr. Bracken, is it a case where the settler should be moved out of those townships into areas where they could earn a better livelihood?

HON. MR. BRACKEN: Yes, that and also what we are proposing at a later stage, Mr. Chairman. We shall deal with that to some extent, but at this point I may say that it is to the general advantage of everybody concerned that the boundaries of these uneconomic areas be determined and the land within those areas, in the best way possible, put to some more suitable use, and the people within those areas being put somewhere where they can maintain themselves

and not be a liability to the state. That is one of the practical problems western Canada has to face to-day.

THE CHAIRMAN: It would not seem sound policy, would it, to base any permanent arrangement between the Dominion and the provinces on economic conditions in areas where people cannot maintain themselves at a reasonable standard of living?

HON. MR. BRACKEN: I agree with that entirely. I mentioned the drought area as an extreme illustration of the difficulties of local communities in carrying on public services. Continuing with the brief:

"The best evidence as to whether the provinces should continue to be held responsible for financing these services is the budget position of the provinces as compared with that of the Dominion to-day..The Dominion, even with its much higher scale of expenditures and even after restoring its salary cuts, . . . is now approaching a balanced budget, while the majority of the provinces with their much more modest expenditures, and in some cases at least no restoration of severe cuts in salaries are still carrying huge annual deficits. If this is permitted to continue it cannot result other than in the breakdown of the financial structure of scores of additional municipalities and even of some provinces.

The position which we take with respect to the taxation field now allotted to the provinces may be stated in two brief sentences. First, the responsibilities placed upon the provinces by the constitution as now interpreted are too heavy and too inequitable as a

matter of practical governmental administration to be borne on the taxation base now allotted to them. And secondly, the remedy for this situation is not to extend the taxation base now allotted to the provinces, but to have the stronger central government assume the responsibility for a reasonably share or a minimum standard of public services throughout all the provinces."

May I revert for a moment to a question that Commissioner Angus asked about a statement that appears in the brief of the Provincial Treasurer, at page 64 of Part VII, the Analysis of Manitoba's Treasury Problem, where he speaks of a "uniform national standard of relief and social services". I should just like to make it clear now that this government is not proposing that there should be a uniform cash payment for relief right across Canada in every section of every province, for that is furthest from our mind. It was the relief problem that was being discussed, and we all admit that human beings must be fed and clothed and housed. To do that costs less in some sections of the country than in others. Some sections can provide the same services at less cost. It strikes me that the word "uniform", should have been left out as it is rather misleading, and it would be better to say, a national minimum standard, in relation to the cost, to meet the need. That is what was meant and it would be better to put it that way.

COMMISSIONER ANGUS: My question was directed mainly to the point of provincial or Dominion administration of something that was not to be precisely uniform.

HON. MR. BRACKEN: I think it should be, to meet the existing need, which would cost less in some places

than ⁱⁿ others. Therefore there should not be an equal cash contribution in each section. Our contention is that this situation should be remedied by the central government assuming larger responsibility, rather than by an extension of the taxation base of the provincial governments. I continue at the top of page 12 of the brief:

"If further support of the latter contention is needed it may be found in the report of The Bank of Canada on Manitoba's finances, which reads in part as follows: '... We are not prepared to say that it is practical to increase revenues by further taxation.'"

Now if the bank of Canada was not prepared to say that it was practical to meet the situation by further taxation, I am quite prepared to say that it is wholly impractical.

THE CHAIRMAN: You make that statement your own?

HON. MR. BRACKEN: Yes, and I go much further.

THE CHAIRMAN: While you have great respect for the Bank of Canada, you are not bound by their opinions on any of these matters, and are now giving your own opinion.

HON. MR. BRACKEN: I respect the opinion even of the Bank of Canada, Mr. Chairman. Continuing with the brief:

"Anything short of the assumption of greater responsibilities by the Dominion will leave those provinces, which have within their borders the unsheltered industries, in a condition of economic inferiority, which we submit is not a healthy state for any section of a nation. If certain provinces must accept unfavourable national policies determined by majorities who live elsewhere, and are at the same time denied assurance of a minimum standard of public service, because they are poor, the

prospect of Canada becoming a nation truly united by anything more than legal bonds will be unnecessarily postponed.

THE CHAIRMAN: Only one question there. You say "If certain provinces must accept unfavourable national policies determined by majorities who live elsewhere." Is it not a fact that the result of an election determines some of these policies and that a national policy could not very well vary to meet the views of every section?

HON. MR. BRACKEN: But do you suggest, Mr. Chairman, that elections are always decided in the right way?

THE CHAIRMAN: Oh, no. But when you say "determined by majorities who live elsewhere," I question the accuracy of that a little.

HON. MR. BRACKEN: I am there speaking of the future, not of the past. We believe that some of the policies are to our detriment. We know that this section of Canada is in a minority. Even if our views are right we are not a majority in the Canadian parliament, and the Canadian parliament will determine these policies in the future. I had no reference to anything in the past. Moreover, I do not know of any election that is decided by a single issue; sometimes the issues are not clearly understood, and sometimes they are not clearly presented.

THE CHAIRMAN: It does not change the fact. The fact is that your condition is what it is, regardless of whether the majority of people in this province concur in any policy decided elsewhere or not.

HON. MR. BRACKEN: We submit these views on their merits, Mr. Chairman, I continue now with page 12 of the brief:

D.--THE CONSTITUTIONAL INABILITY OF THE DOMINION GOVERNMENT TO ASSUME AND DISCHARGE ITS PROPER SHARE OF THE NEW RESPONSIBILITIES NOW GENERALLY RECOGNIZED AS BELONGING TO CENTRAL GOVERNMENTS.

"It is important to note that while a heavy load of costs was gradually being placed upon the provinces, three other things were happening: First the subsidy given by the Dominion was providing a much smaller and smaller percentage of the revenue of provincial governments and second, the Dominion revenue from customs and excise which was given to the Dominion by the provinces at Confederation was increasing much more rapidly than the subsidy payments to the provinces, while at the same time the Dominion had entered the field of direct taxation: and third, new social responsibilities appeared for which the Dominion was not legally responsible and which some of the provinces could not finance.

In 1875, as has been pointed out, the subsidy payments to Manitoba provided 88 per cent of the total expenditures of the province. In 1881 they were $56\frac{1}{2}$ per cent, in 1891, $73\frac{3}{4}$ per cent. The percentage became less and less throughout the years until in 1936 it made up only $12\frac{1}{2}$ per cent of the total.

During this period when the subsidy as a percentage of Manitoba's revenues dropped so rapidly, the actual subsidy payments to all the provinces increased from \$3,430,846 in 1880 to \$16,993,900 in 1936. They multiplied by five times. In the same period the Dominion revenues from customs and excise increased

from \$18,303,771 in 1880 to an average of \$214,000,000 in the five years prior to 1931. They multiplied by almost twelve times, or nearly two and one-half as fast as the subsidies paid to the provinces. If the much lower revenues from customs and excise for the average of the five years after 1930, namely \$138,000,000, are taken it will be seen that even these multiplied almost eight times or one and one-half times as fast as the subsidy payments.

We submit that both the constantly decreasing proportion that the subsidies bear to the total provincial revenues, and the constantly increasing proportion that the Dominion revenues from customs and excise bear to the subsidies paid to the provinces, while not conclusive in themselves, are very substantial arguments for assumption by the Dominion of a larger share of the cost of public welfare services."

And now for a moment we might discuss one of these so-called new responsibilities of government--unemployment relief:

UNEMPLOYMENT RELIEF

"As to the new services that in recent years governments have found it necessary to undertake, the most important from the standpoint of cost is unemployment relief. Since 1930 the numbers on relief in Manitoba for the month of November in each year are as follows:

Month of November	Individuals
1930	13,313
1931	45,638
1932	54,805
1933	76,781
1934	71,378
1935	80,566
1936	83,504
1937 (estimate only)	62,000

High point, March, 1934, 105,587.

The number on relief increased from 13,000 odd in 1930 to 83,504 in 1936.

COMMISSIONER ANGUS: I am wondering if there is not possibly an error that misled me this morning because I observe that on page 62 of the previous brief, Part VII the number of those described as fully and partially unemployable persons is given as 58,261.

HON. MR. BRACKEN: Is that for this year?

COMMISSIONER ANGUS: Then on page 13 of the present brief the estimate of the number on relief in Manitoba for the month of November, 1937 is given as 62,000.

HON. MR. GARSON: The other figure was for all Canada, and it was followed by a break-down for Manitoba and the city of Winnipeg, if you will observe what follows in that first paragraph on page 62 of the previous brief.

COMMISSIONER SIROIS: There does seem to be a discrepancy between the figures given on page 56 of Part VII for 1936 and the number given on page 13 of Part VIII.

HON. MR. BRACKEN: The Table that appears at the foot of page 56 of Part VII gives "the average number of individuals on relief" in the years 1933 to 1936. That is probably the average for the whole year. Then on page 13 of Part VIII I give the numbers on relief in Manitoba for the month of November from 1930 to 1937, with an estimate

only for the latter year. Does that make it clear?

COMMISSIONER SIMOIS: Yes, thank you.

HON. MR. BRACKEN: I continue at the middle of page 13 of the brief:

"In the Manitoba budget this item (unemployment relief) appeared only very occasionally and in small amounts prior to the year 1930."

You asked me a question about that this morning, Mr. Chairman, and if my memory serves me correctly, the central government did assist in unemployment relief in the latter part of the war; but I do not remember the exact years, but after giving assistance for a few years they ceased to do so and did not resume again until 1930.

THE CHAIRMAN: There was no unemployment in the latter years of the war. It would probably be in the slump around 1922.

COMMISSIONER DAFOE: It was in 1921 or 1922, I think.

HON. MR. BRACKEN: Continuing with the brief:

"In the Manitoba budget this item (unemployment relief) appeared only very occasionally and in small amounts prior to the year 1930. From that year up to April 30, 1937, the total cost of relief and relief works in Manitoba was \$53,278,775.98. The total cost was divided as follows:

The cost to the Dominion \$19,602,697.64

The cost to the Province 18,550,572.12

The cost to the Municipalities 15,125,506.22

It has already been shown elsewhere that by far the greater part of these expenditures has been met by borrowing. The result is at April 30, 1937 that the province owed on its

relief debt \$23,736,570.51, covering both its own costs and moneys borrowed for relending to municipalities; the municipalities owe considerable sums to other creditors on their relief debts, and at April 30, 1937, they owed to the provincial government on their account the sum of \$4,608,255.74, practically all of which was borrowed by the province from the Dominion.

The figures quoted here, as well as those quoted elsewhere for other services, show the rapid increase in cost to the provincial government for services for which, as responsibilities of provincial governments, the Fathers of Confederation made no financial provision. These figures in themselves are a sufficient condemnation of the policy of expecting either the municipalities, or the provinces, or both, to meet any considerable share of the cost of such services. A crisis such as that of the last seven years gives particular emphasis to this argument.

But the figures do not tell the whole story. In the case of some seven or more suburban municipalities adjoining Winnipeg, a considerable portion of the burden of relief has been met by the municipalities defaulting in the interest payments on their bonds and using the money thus "saved" to pay their share of relief.

(Page 515 follows)

The brief continues:

" With regard to other measures of social security such as unemployment insurance and health insurance, it need only be noted here that the constitutional responsibility for these also now rests upon the provinces. The dominion, by judicial interpretations of the constitution, has been denied the right to deal with them. Obviously, this situation cannot be continued unless we are to admit that we are incapable of adjusting our machinery of government to accomplish necessary reforms approved by parliament.

We submit that on every ground of equity and sound administration the financially strong central government ought to be given power to provide these social services which must now be recognized as national responsibilities, and that the smaller political units should be relieved of a great part of the responsibilities now resting upon them. The argument is all the stronger when it is remembered that it is the central government which has jurisdiction over immigration, monetary and trade policies, all of which determine as far as it can be determined by state action, the prosperity, or lack of it, of the citizens of Canada, including both the taxpayers who pay the relief and the unemployed who receive it.

At a later stage in this presentation a plan of rearrangement of governmental responsibilities will be presented. Therein an attempt has been made to work out an equitable method whereby the dominion government may assume responsibilities more commensurate with the broad

"privileges and powers it possesses in our federal system."

The next subject matter is:

"The Cost of Overlapping Responsibilities and Services."

There is a very brief discussion here of this subject; it is not meant to go into the matter exhaustively, because I understand that a special study is being made of it.

" In a federal system of government there is necessarily a division of responsibilities and services between the different governments affected -- in the case of Canada, between the dominion and provincial governments. If the division is clearly stated there should be a minimum of overlapping. If, as in the case of Canada, certain responsibilities are shared, there is necessarily some overlapping. We feel, however, that where double jurisdiction does exist, mutual arrangements should continue to be made so that all unnecessary overlapping be removed and the administration of such services be made as efficient and as economical as possible.

In Canada there has been overlapping in the administration of law and order, in tax collection, in incorporation and administration of companies, in certain commercial activities, in the activities relating to agriculture, public health, natural resources, and in other fields of governmental services.

For more than a dozen years we have cooperated with three different federal administrations

"to try to eliminate unnecessary duplication and, at the same time, to maintain efficient, economical service. Some progress has been made. The two police organizations of the province and the dominion have been amalgamated at a saving to the province of \$150,000 a year. The two income tax administrations of the province and the dominion are now being amalgamated, with small economies to us, and we hope more effective service. In the Departments of Agriculture and Health, and Natural Resources, overlapping has been reduced, if not altogether eliminated."

These last four words, "if not altogether eliminated" are not meant to suggest that it has been eliminated. Perhaps it will be better to have it read "but not altogether eliminated." It was not intended to suggest that everything had been done that could be done.

" In the commercial field of farm loans, where duplication of organization exists, discussions are under way looking toward amalgamation, but as yet little progress has been made."

THE CHAIRMAN: Are loans still being advanced to these organizations?

HON. MR. BRACKEN: No. Years ago we withdrew from many of these undertakings, and it was discontinued the moment the dominion government went into the business. We have made no loans since.

THE CHAIRMAN: But you have not been able to collect all that is outstanding?

HON. MR. BRACKEN: I am sorry to say we have not, I continue with the brief.

" In the field of company incorporation and supervision there is need for both clarification of zones of responsibility and for lessening of duplication. Much work has been done and some progress has been made, but much is yet required to be done.

In the field of scientific research there is some overlapping, and there is some failure to adequately utilize existing organizations. There are trained men in our universities who lack adequate financial assistance for research work. There is a National Research Council at Ottawa. There is some cooperation and an excellent spirit existing between the universities and the Council. But as long as the research work of our universities lacks the necessary financial support, the fullest use of the university talent is not obtained. A furtherance of the trend toward granting of assistance by the federal authorities to the universities under conditions to be laid down by the dominion and under the supervision and co-operation of the dominion or the National Research Council is much to be desired.

Disabilities Arising from Unfavourable Dominion Policies.

Having dealt with the major disabilities arising from the Confederation set-up we wish now to discuss those arising from certain unfavourable dominion policies. Among these are:

- A. Unfavourable Effects of Dominion Land Settlement Policy.
- B. Unfavourable Effects of Dominion Tariff Policy.

" 'C. Unfavourable Effects of Dominion

Monetary Policy.

Unfavourable Effects of Dominion Land
Settlement Policy.

When Manitoba entered Confederation in 1867 ---"

This date is wrong; it should be 1870.

" When Manitoba entered Confederation in 1870, the dominion government kept control of the land and other resources within the province. As a result, the settlement of the land, the plans for the development of the mineral and forest resources, the building of railways and the stimulation of immigration all came directly under the control and direction of the dominion government. We do not suggest that the governments in power in Ottawa during the first sixty years of Confederation were entirely misguided in pursuing the policies which they considered to be in the national interest; but we do suggest that those policies were not framed with sufficient consideration for the ultimate consequences upon some of the provinces, and certain of them have resulted in very considerable handicaps for those now living in the prairie provinces.

The building of the first railroad system in western Canada was predicated, at the time, upon three purposes. These were (1) Imperial defence; (2) National unity. and, (3) the development of the West.

The first two of these demanded speedy action and the resulting haste of this and other railway construction left certain grave maladjustments in the economy of the prairie provinces. The later

"railways were built, some of them into new areas for settlement and some as competing systems, but all opened up for immediate settlement new areas of land before any compact settlement had taken place in the areas already opened up.

THE CHAIRMAN: Am I right in the view that the government of Manitoba bonused many of these branch lines?

MR. PITBLADO: I happen to know something about this matter, though of course offhand I can speak only from memory. I believe they did give some guarantee in connection with what is known as the old Manitoba Northwestern Railway, though it was not large. In connection with the Canadian Northern Railway they guaranteed some bonds for the purpose of getting what they thought was a system that would compete against the Canadian Pacific Railway to carry the products of western Canada eastward to the head of the lakes; and by an arrangement then made with the government, a very substantial reduction was made in freight rates particularly to Fort William, and especially for grain, in return for which there was a guarantee of bonds of the Canadian Northern Railway. These bonds were subsequently taken over and not paid for by the province. So that, so far as actual subsidies are concerned there is little to be found in the history of the province itself.

THE CHAIRMAN: My general recollection was that all three prairie provinces guaranteed bonds in connection with branch lines and that they were relieved from embarrassment in consequence of the taking over of the railway by the government of Canada.

MR. PITBLADO: So far as the Canadian Northern Railway is concerned -- speaking from a very hazy recollection,

I do not believe that the government of Manitoba guaranteed anything but bonds in connection with the establishment of a line to Fort William. I am referring to the Canadian Northern at that particular time. As regards the extension of lines into outlying settlements, I do not believe that the province guaranteed any bonds with the exception of the Manitoba Northwestern Railway, which was a small one. I think I am correct in that statement.

HON. MR. BRACKEN: In the early history of this province, the government of Manitoba was driven into the position-- perhaps I should say it found itself in the position -- of being obliged to try to get other railways in, because at that time the Canadian Pacific Railway had a monopoly. Let me not be misunderstood, however. We are not raising the question now for the purpose of criticizing any action that was taken at that time. Our object is simply to point out what was done; and the fact is that what was done now results in a handicap to our province and its municipalities.

THE CHAIRMAN: May I remind you, Mr. Bracken, that it is not within our province to enter upon any criticism of federal policies, though we are entitled, and in fact are required, to consider the actual conditions, whatever they were.

HON. MR. BRACKEN: And that is exactly what we are trying to help you to do, Mr. Chairman. I agree with you in that regard. I was here in the later years of the development of the country and I know that the provinces were concerned with pushing railways into certain territories in order to serve the people there. Who put the people there is another matter; and possibly, if one wanted to be critical, one could say that th-

responsibility might fall back upon the immigration authorities and upon those who gave land to the railways, which the railways had to sell before they could give any value to them. Those lands had to be settled, and before the settlers could be of any value to the main lines branch lines had to be built. The fact is therefore that every one of these circumstances forms a link in a chain, and the point I am making is, that we are in the situation in which we find ourselves to-day in consequence of what took place then. Resuming:

" Having committed themselves by their agreement with British Columbia to build a transcontinental line, the dominion government was faced with the necessity of finding the means of financing construction and of making the line profitable after it had been built. The construction of railways was partly financed by extensive gifts of land from the public domain. These lands were hurriedly opened up for settlement by sale. Ill-considered and hasty settlement on a tremendous scale was thus resorted to in order to find revenue for the railroads."

It is, of course, easy to be critical in these days; but I fancy that had most of us been here at that time we would have done the same thing ourselves. That, however, does not alter the fact that we are faced with these problems to-day.

" If the railways had not been projected in this manner colonization and settlement would have expanded in a more compact and normal way. The result was a widely scattered population which demanded relatively high expenditures per

"capita by local and provincial governments in order to provide the various services required by the people.

Settlement of Unsuitable Areas,---

Large tracts of land were thrown open for settlement, some of which were unsuitable for agricultural use. Suggestions on the suitability of certain areas for agriculture by Palliser and Hind were ignored, and settlement permitted in unfavourable climatic zones. The land grants to the railroads made settlement more extensive and scattered by holding large areas of land near the railroad line out of use and by forcing homesteaders, looking for free land, to settle in more distant areas. Extravagant hopes held out for early railway facilities at points distant from existing lines, hopes which were often not discouraged from official sources, also induced scattered settlement.

Familiar examples of unwise settlement are not far to seek. The opening up for grain growing purposes of the short grass grazing land in southeastern Alberta and southwestern Saskatchewan is the first classic example. The throwing open for settlement of smaller unsuitable areas in different parts of Manitoba resulted in similar but less conspicuous failures. The results are now shown in the necessity for resettlement elsewhere at extraordinary costs to municipalities and governments and great hardships and distress to the unfortunate settlers affected."

This morning, Mr. Chairman, you raised the question as to the wisdom or otherwise of trying to move people from sub-marginal areas into other parts of the country. Unquestionably that is a problem that must be faced in western Canada and one that must be faced as soon as possible. It is, however, one that is surrounded by all sorts of difficulties. The first difficulty is to persuade people to leave, and the second and major difficulty is to find some place for them to go to and the means of financing their migration. And I do not know of any provincial government that is financially capable of undertaking that task. Yet, in the national interest, it should be done; because in the poorer sub-marginal areas, I am afraid that the citizens of our respective countries living there, through no fault of their own, are not an asset to the nation, for the reason that the conditions are such that the state is obliged to assist them in the building of roads and schools and occasionally in the provision of relief. That is a practical problem that faces us all, and it will remain with us for a long time between here and the Rocky Mountains.

THE CHAIRMAN: Can you tell us, Mr. Bracken, what accounts for the character of these areas that you have described?

HON. MR. BRACKEN: It would be impossible for any living man to say definitely. Sub-marginal areas are sub-marginal for different reasons. The reason some are submarginal in southwestern Saskatchewan and in certain parts of Alberta is to be found in climatic limitations. Generally speaking, there are other reasons so far as Manitoba is concerned, though some of the poorer lands in the low-precipitation areas of southwestern Manitoba may be submarginal because of climatic conditions.

In one area one factor may account for lands being submarginal, in another area there may be some other factor, while elsewhere there may be a combination of reasons. And that is one of the difficulties we have to face. No one knows where the boundaries of these areas are, and no one will know until an agricultural and economic survey is made of them to determine certain questions. The quality of the soil; the character of the climate; rain-fall; the period between the last killing frost in spring and the first killing frost in the fall; distance from market; in connection with soil, w various factors such as moisture, yielding powers, the cost of bringing crops under cultivation -- all these and many other factors have to be taken into consideration.

The problem is not by any means a simple one; indeed, it is very difficult; but it is a problem that must be faced, and the sooner it is faced the better it will be for Canada and for us all. But it cannot be done by the western provincial governments.

COMMISSIONER MacKAY: Would the western provinces suggest giving back their natural resources to the dominion?

HON. MR. BRACKEN: This, Mr. Commissioner, has no relation to the natural resources; this problem affects resources already alienated. With regard to lands not aientated, this province has in recent years set itself the task of seeing to it that lands shall not be disposed of that are likely to prove submarginal. That is one of the first things to be attended to if we are to avoid getting deeper into trouble.

COMMISSIONER MacKAY: If the dominion has no lands how can it assist?

HON. MR. BRACKEN: The dominion can help us by financing a survey and helping to get individuals re-established on other lands.

COMMISSIONER MacKAY: By way of dominion assistance to the province ?

HON. MR. BRACKEN: Yes; that is being done in some degree under the rehabilitation plan in Saskatchewan and Alberta, but how extensively I cannot say. At the moment I am merely pointing out what the problem is. These provinces are not in a financial position to cope with it and if it is to be dealt with it must be dealt with either by the dominion taking it over as a national problem or through cooperation with us. Probably a cooperative plan would be better.

COMMISSIONER MacKAY: The same problem faces every other province in Canada, does it not, though under somewhat different conditions?

HON. MR. BRACKEN: Yes, but not to the same extreme degree as here. Now I come to the top of page 17:

" The opening up for settlement of large tracts of land wholly unsuitable for farming of any kind was not the only mistake in settlement policy. In certain areas where farming could be carried on successfully only on a farm unit of a certain minimum size, smaller farm units of settlement were established. As a consequence, the history of the areas in which such a policy prevailed was that eventually a considerable number of original settlers were forced, after investing their time and money, to abandon their holdings.

The result of these errors in settlement"

"policy was that eventually facilities such as schools, which had been built on prospects of a larger population, were left to be paid for on a basis of a smaller one. Moreover, population which could be cared for within a smaller area, if settled properly in the first place, was left spread over a wider area with consequent increases in the cost of road maintenance, etc. Governmental costs of both municipal and provincial governments, and of course in consequence taxes also, were greatly increased. The taxpayers, in the end had to pay more for what should have cost less if a more considered settlement policy had been followed.

Again, as an element in national policy, at a time when mechanization had not yet reached its present high stage in development, the dominion government had admitted to western Canada, to provide common labour in railway and building construction, large numbers of workmen, unskilled in either the trades, or in any real sense, in agriculture. These men who are often without sufficient capital to make an adequate start in agriculture, willingly served their new country in the railway and building construction work incidental to the opening up of a new territory; but when this construction work ceased they found it difficult to fit into the economic life of their adopted country.

It is not entirely relevant here but it is an interesting coincidence that between the years 1911 and 1936 our population increased from

"461,394 to 711,216, or by 249,822. At the same time the natural increase, namely, the number of live births less the number of deaths, amounted to 250,774. It thus appears that if we had retained our own people, our population would have been almost exactly the same as if no immigration into the province had taken place.

It may be observed that people migrate to improve their economic and social position. Between the years 1931 and 1936 Manitoba's population increased by 26,911; or less by 11,077 than the natural increase of 37,988.

It may be further observed that if there is any urgency for increasing the population of western Canada by the resumption of immigration from overseas, there is in our opinion, much greater urgency for reconstituting the economic relations of the prairie provinces to the nation as a whole so that the west may be saved for her own children. If we want immigration into western Canada we need have no fear but that this will happen if the conditions are such as to tempt immigrants to come."

In recent years they have gone away faster than they have come.

Now I come to the heading:

"Unfavourable Effects of Dominion Tariff Policy."

I will try as far as possible to abbreviate these comments, because you have already had some discussion on them; but there are some aspects of the subject which I should like to deal with. I quote:

" At Confederation the provinces gave up their jurisdiction over tariff matters to the dominion government. Since that time the tariff policies of the dominion, presumed to be in the interests of the nation as a whole, have worked out to the very great disadvantage of certain provinces.

We have presented to the Commission evidence of the burden of this dominion policy on the people of this section of the dominion. The result of our investigation, stated in what we believe to be minimum figures, shows that the burden the dominion tariff places upon the three prairie provinces comes to the staggering total of 58 million dollars per year. This figure is twice as much as the total of all of the annual taxes imposed by all three prairie governments combined. It is a heavy price to pay for the privilege of being in Confederation.

Cost to Manitoba.---In the case of Manitoba the tariff policy, as now in effect in Canada, has been found to impose a burden of 15 million dollars per year upon our people. This is an indirect tax of almost unbearable weight. It is 75 per cent more than the total of all our provincial taxes which are themselves too heavy. It is almost as much as the total taxes collected by all our municipalities combined. It has for many years imposed a burden exceeding \$100 annually on the average farmer in Manitoba. While the tax in itself is burdensome it has the fundamental weakness that the greater part of it is not credited to the dominion government revenues --

"it goes to the beneficiaries of the protected industries.

Not only has the tariff raised the cost of production, but the higher the tariff rates are, the less goods come in, and the less the dominion gets in tariff revenue; and the less it gets in tariff revenue the higher it has to raise other taxes; thus when the revenues from customs and excise dropped from 189 million in 1931 to 120 million in 1935, a decrease of 69 million (most of which was in customs revenue) other taxes were increased from 107 million to 181 million, or by 74 million dollars. It was during this period that the sales tax was increased from 1 to 6 per cent; and several other taxes, including the sugar tax of 2 cents per pound, were imposed. Thus, when tariff rates are increased the primary producer not only has his market endangered, the price of his products eventually reduced and the price of his necessary purchases increased but he has his taxes increased at the same time."

THE CHAIRMAN: You are aware, Mr. Bracken, -- I am not entering into any discussion of your views nor suggesting whether they are right or wrong -- that the then government of Canada believed that it was necessary to eliminate imports in order to enable the dominion of Canada to meet its obligations and thus preserve the solvency of the country? That appears to have been the view of the government of the day.

HON. MR. BRACKEN: I am aware, Mr. Chairman, that there are arguments on both sides. I can only state the situation as we see it in this part of Canada, and if the argument

to which you allude is still maintained, the fact remains that a burden was imposed upon us.

" The tariff has thus constituted a heavy load on the primary industries of our province and those of other western provinces. Moreover, the long term trend of the tariff has been upward in direction and ever-widening in scope. The disabilities upon the province have thus become increasingly onerous in recent years. This apparently never-ending upward trend has constituted what is probably the most unfair development arising out of the federation of the provinces.

When the provinces gave up their jurisdiction over tariff matters in 1867, it was not anticipated that this instrument which was placed in the hands of the dominion would be used or could be used to the very serious disadvantage of certain sections of Canada. This very marked trend away from the spirit of Confederation provides a justifiable ground for major dissension in Canada."

We are raising this question, Mr. Chairman, not to criticize the tariff as a tariff; rather, we are discussing this question and others as well for the purpose of explaining some of the disabilities under which we are labouring to-day -- disabilities which you are asked to take into consideration in arriving at your recommendations. That is our only object in raising the question.

THE CHAIRMAN: The difficulty I see is this Mr. Bracken-- and I want to put it to you. Others will take a different view of the benefits or the evils, the advantages or

disadvantages of the tariff policy; but that, it would appear to me, is not the important factor. The important factor is the question, what is your present condition? What is the situation that must be met? We cannot change the tariff policy here; that is a matter for the federal government; it is a part of the functions of the national government. What we must do is to look at the situation in which you find yourselves, no matter from what cause that situation has developed.

HON. MR. BRACKEN: We agree with that entirely, Mr. Chairman. As we see it, the first duty of this Commission is to determine what the conditions are. As to what the cause or causes may have been, that is a matter of concern to you only in this sense, that you must take all the circumstances into consideration. We are not asking you to blame anyone for what has been done; we are not trying to do that. But this Commission has been asked to recommend a set-up which may obtain in Canada for fifty years, and in devising that set-up you will have to take cognizance of conditions that are likely to obtain in the different sections of Canada in that period of time.

If the burden of the tariff is to be continued at the present rate or higher, the difficulties confronting certain sections of Canada are not likely to diminish -- certainly, not those that are due to the tariff -- and because of that, in the dominion-provincial set-up some greater provision must be made to help to maintain the minimum of public services. That is our approach to the question.

THE CHAIRMAN: Credit -- perhaps undue credit -- may be given to the Commission for knowledge and foresight, but I do not think you can assume that the Commission

will have sufficient foresight to know what the tariff policy in the future may be.

HON. MR. BRACKEN: Mr. Chairman, what we are suggesting is this. We who think otherwise than the majority of the people of Canada appear to think are not going to have the determination of that question, and probably a good many of these burdens will continue. That being so, we are going to urge that as an additional reason why you should support the proposal to allocate to the central government a larger share of the costs of social services. That is our only purpose in dealing with all these matters here.

I will skip what appears in the middle of page 19. I come next to certain remarks in regard to the tariff:

"Observations on Tariff.---There are two observations which we desire to make with respect to tariff matters as far as they concern the west:

(1) During the exceedingly difficult period which we have experienced in western Canada following several years marked by unusually low prices for farm products, and by recurring drought over large areas, tariffs were at their highest level since Confederation, a level from which they have been but little reduced in recent years. Western Canada carried this load when it was least able to do so, a fact that should be emphasized in estimating the disabilities the western provinces have had to cope with in dealing with their economic and financial problems in recent years. Our problems have been made vastly greater by this policy of

"the dominion government, much greater than most people, even those in western Canada, realize.

(2) Our second observation with respect to the tariff is that it has increased production costs to the point where many farm units in western Canada are finding it impossible to function on an economic basis -- a trend that if permitted to continue will result in economic tragedy, both for us, and for Canadian industry. From the national standpoint, as well as from our own, we believe that the best interests of all concerned lie in the direction of a reversal of these policies. Certainly if the present trend keeps on, more and more of our western farmers will be forced to abandon their farms and seek opportunity to earn a living in other callings now already over-supplied with labour."

A short while ago we were discussing the question of submarginal lands. The boundaries of submarginal areas are very difficult to determine, and what is a marginal or above marginal area to-day may be submarginal tomorrow. In Manitoba many farms have been abandoned because of charges upon them far less onerous than tariff charges estimated to have operated against them. Farms were abandoned in many drainage areas because the drainage tax, levied for the purpose of putting in improvements, was found too great. The result was that the government of Manitoba had to decide whether to absorb the debts or parts of the debts of the drainage district so as to encourage people to stay on the land, or allow the people to abandon the land altogether.

THE CHAIRMAN: There can be no doubt about the serious economic condition of agriculture in these western

provinces in recent years. In certain sections of the prairie provinces the condition has been heart-breaking without a doubt.

HON. MR. BRACKEN: The brief goes on:

" In making these observations we clearly recognize that in a democratic system the will of the majority must prevail. How high the majority will consider it wise to maintain our costs of production in order to give tariff support in the national interest to certain secondary industries, the Canadian people as a whole will determine. In the minds of many it already too high. Surely with the disabilities which western Canadian farmers already face, the Parliament of Canada will come to realize that there is a limit to the burden which they can bear and still survive, and will, therefore, in the national interest, commence a retreat from the high-cost production policy our high tariff rates have placed upon us. If, however, the nation remains disposed to maintain this unequal burden upon several provinces, even at a much reduced rate, we submit, that this is an additional argument, why, in its own interest, and in the interest of equity to those unfavourably affected, it ought to assume a greater responsibility for a reasonable standard of public services throughout the nation."

The next subject I wish to discuss comes under the heading:

"Unfavourable Effects of Dominion Monetary policy."

I approach this question with some hesitation after the discussion that took place here a few days ago.

THE CHAIRMAN: You need have no hesitation in approaching it, Mr. Bracken.

HON. MR. BRACKEN: I do not want to be thought in any sense disrespectful because you made some comment that was interpreted as being not very favourable to that policy: but I do wish to discuss it, Mr. Chairman, and I do not want to be misunderstood either by yourself or by the Commission or any one else.

THE CHAIRMAN: I think that probably you will not dispute my proposition, Mr. Bracken, that there are various elements in your case and that this is not the strongest -- I should have thought the weakest. I do not mean to say, of course, that there is no force in it.

HON. MR. BRACKEN: Let me deal with that briefly. You said that you thought this was not the strongest evidence in our case, and that may be true.

THE CHAIRMAN: It relates to something that is only of a temporary character. The tariff stands on quite a different basis. We have every reason to assume that the tariff is not likely to be so fundamentally altered that your objections, if sound, will not apply in the future in the same way as they apply to the tariff to-day. But so far as monetary policy is concerned, that is something that is changing. There was a temporary condition, a period that has passed, and I see a difficulty in the shaping of any national policy on the basis of a temporary condition.

HON. MR. BRACKEN: Well, Mr. Chairman, let us not be misunderstood. Manitoba is not basing a single part of its case upon monetary policy or tariff policy or any other policy. We are seeking to show cause why the central government should assume a larger responsibility in

connection with our services. Now, this Commission is interested in the causes that have led up to the condition in which the western provinces find themselves, and it is only for that reason that we raise these questions. If the monetary policy or some other policy in the future is going to be helpful in keeping the western provinces in a better condition than they have been in during the last six years, then to that extent this Commission will feel that it need not go as far as it might otherwise. If however we are to reach the conclusion that monetary policy cannot in the future help us to meet a situation wherein the price of wheat has got down to the lowest point in 400 years, then, Mr. Chairman, we are going to ask you to regard that state of affairs as an added argument in support of the suggestion that the central government should give more assistance.

THE CHAIRMAN: There is no suggestion, Mr. Bracken, that the dollar should be further devalued, and I do not understand that your brief suggests that at the present time it should be. It was only in that sense that I suggested that the policy was one for a limited period rather than a policy intended to be permanent. Of course, we have no jurisdiction to pass upon the question as to what the policy should be. That is not within our power. But the whole question of monetary policy will be studied by our experts, and we shall be glad to have as much light as possible thrown upon it.

HON. MR. BRACKEN: I appreciate very much what you have said, Mr. Chairman; and I hope that you appreciate all that we are trying to do. What we are trying to do is to understand, and to enable you and your Commission and the public to understand what were the causes that contributed

to the condition in which western Canada has existed in the last half dozen years. We think that might have been used to lessen the weight of the burden that fell upon us, and we think it might be so used in the future. If that cannot be, then we have to look forward to the time when wheat drops to forty cents again or fifty cents. Then what are we to do?

Page 546 follows.

THE CHAIRMAN: The price of wheat is a grave problem for the agricultural interests of the prairie provinces and creates in some respects one of the most vital problems of all.

HON. MR. BRACKEN: I have not prepared a submission on this matter, but I should like to clear up perhaps some misunderstandings that have arisen. It was not the purpose of the Manitoba government to propose any ill-considered system of inflation, or giving twenty cent dollars or ten cent dollars in Canada. What we were suggesting might be considered as something in the nature of a managed currency, which is far from what was intimated might come from any such policy. We were referring to the policies which had been used in some other not unenlightened places, and which is being used to advantage today and which has been used to lighten the burden of those who take the immediate shock of the decline in prices, and to suggest that the Canadian community should understand whether it is going to be good or bad in the future.

There was some discussion here the other day about fifty cent dollars and twenty cent dollars and so on. I might here mention that for half a dozen years prior to this year a good many scores of thousands of people have been paying their debts with what is in effect practically fifty cent dollars, because in the years following 1930 the price of wheat was less than half per bushel what it was the six years preceding, and the people between here and the Rocky Mountains have carried that load. Our suggestion is that it might have been lightened for us and our burden then upon the central government would not have been so great.

Now, I know it is not the business of this Commission

to go into that to determine whether it is good, bad or indifferent. But I think the nation should know. The nation should have the best light there is upon it. I suggest if the Commission is having this matter further studied, and if our presentation has been inadequate or not as thorough as it might have been to show whether it will benefit the nation, that we secure the services of somebody like Copland from Australia, who was the economist chiefly in charge of the development there, and perhaps Ohlin from Sweden, and Cassel, who is an older man in Sweden. Copland is a younger man. Sweden has perhaps had longer and more successful experience with managed currency than any other place. Mr. Chairman, we are not advocating any wild ideas of inflation. If it is not a good thing for Canada as a whole let us have evidence on it. If the theories are radical theories and not sound, let us know they are radical and unsound. What I have said has been said without much preparation. I think perhaps we understand much better, Mr. Chairman, your attitude with regard to this question, and I hope you understand our attitude towards it. With that informal discussion, perhaps, Mr. Chairman, we might pass over the presentation that I otherwise would have made.

THE CHAIRMAN: Let me say at once that I don't want you to think that we don't want you to present your brief in as complete a form as you wish. I am sure I can say that every member of the Commission is ready to give you the fullest consideration because it is our desire to hear everything you wish to say.

HON. MR. BRACKEN: We thoroughly understand that Mr. Chairman. We had a discussion the other day and we have had this little discussion now and I may say personally

I am very glad it has taken place. There was one other observation you made the other day to the effect that no voice was raised at the time in favour of something of this kind. Let it be understood again that we are not attempting to criticize anybody who did nothing at that time. We are criticizing the results, or we are pointing out the results of what happened, and we want to try to avoid those results in the future in the best way possible if we can.

THE CHAIRMAN: I have no hesitation in saying this, Mr. Bracken, speaking for myself only: if the dollar had been a fifty cent dollar it would have benefited the farmers of Manitoba. How it would have affected the citizens in the cities and towns and the general balance, I do not know. I do not think anyone can say. But as the farmer sells in the export market he would have benefited; but whether the net result would have been beneficial is another point.

HON. MR. BRACKEN: That is a matter upon which the state, in its own interest, ought to get the best light. I simply wish to point out it was not used here to the same advantage as other countries. The result is that the price of our wheat, which determines the whole of our prosperity, dropped to the lowest point in four hundred years, and that for six years following 1930 was less than half the price per bushel it was in the six years preceding. That is the reason that we have these terrible problems to face between here and the Rocky Mountains. That is the reason we should try to be ready for any such situation that might arise in the future. It is true that if that had been done some disadvantage would have accrued to somebody else. But as it was, during the six years to which I am referring, a man gave two bushels of wheat for what he got for one before; and the creditor to whom he paid his money, if it did go to a creditor,

could buy two bushels of wheat for the same amount of money that he paid for one before. The result was that there were thousands of people who did not have the advantage of this policy, however many there may have been who would have paid the price for it if it had been put into effect. The observation you made was this; you questioned whether any voice had been raised in favour of such a policy. I agree it is not your responsibility to go into the merits or demerits of this whole question, although it can be done. We are not criticizing those who did nothing or let things take their course. But voices were raised. Voices were raised in this province. I have had the quotations taken out of the agricultural magazine of 1932 and 1933, where this matter was discussed every week or two.

THE CHAIRMAN: My question, Mr. Bracken, was whether any public man had advocated that policy other than the two C.C.F. members. There may have been but I was unaware of it.

HON. MR. BRACKEN: That is an interesting question to ask; but since we are concerned only with the effects of the policy and are not trying to blame anybody, whether they did it or not, it is not so important. But it was discussed here. I might say in our own legislature the matter was taken up, even though it was totally out of our field. We try as much as possible to keep away from overlapping other jurisdictions. But I have here a resolution that was passed unnnimously asking for something to be done. Perhaps, Mr. Chairman, that should be read, since you have invited me to say something more about it. I have extracted here some of the discussions that took place in our local press in 1932 and 1933 on that matter. This is the substance of the resolution passed in the local house on a matter over

which we had no jurisdiction, but a matter which was bearing very heavily upon our people:

"WHEREAS prices of agriculture and other primary products have dropped to unprecedentedly low levels, far below the cost of production,
AND WHEREAS under these conditions the obligations of debtors have increased owing to the impossibility as a class of keeping up their payments,
AND WHEREAS interest rates have not come down but have tended rather to increase, and under the price conditions prevailing are much more burdensome to carry,
AND WHEREAS the result of the uneven deflation has been to increase the burden of debts, not only to individuals but to municipalities and Governments as well,
AND WHEREAS the large reductions made in other expenditures by public bodies is largely offset by additional interest charges thus making difficult any lessening of the burden of taxation,
AND WHEREAS the present inequitable position of debtors to creditors cannot be remedied without either

(a) The deflation of all other commodities and charges, of whatever nature, to the same degree as primary products have been deflated; or

(b) A rise in prices of agricultural and other primary products to the relative position formerly occupied by them;

AND WHEREAS the present policy of gradual deflation of other products and charges is one which will necessarily be long drawn out, inequitable and incomplete and will in the meantime leave those now carrying the heavier share of the burden without relief.

THEREFORE BE IT RESOLVED that this House unanimously approves of immediate and concerted action on the part of the Canadian Government, working together and in harmony with other Governments, to seek to bring about such conditions of trade and such policies of stabilized currency and marketing as will effect a rise in prices of primary products to a normal relationship with other products."

We were dealing with a matter which was beyond our jurisdiction; but it was discussed here. You are quite correct in saying, perhaps, that outside of a very few men in the Dominion Parliament, very few other men discussed it. I have the references here, Mr. Chairman, but it is not essential to read them. Since the point was raised and was given some publicity that there was no discussion on the question I thought it well to mention that there had been. I shall not waste the time of the Commission reading the discussions that did take place. I shall pass over the first part of this discussion, Mr. Chairman, and start in at the bottom of page 22:

"It was of grave moment to western Canada that at that at the time when we were being prejudiced by the Dominion government's omission to develop a monetary policy in the interests of the primary

producer as an exporter, it also, by an act of commission, raised the tariff to a most diastrophically high level which was against the interest of the primary producer as a buyer. At the very time Australia was laying her plans for a splendid recovery, out of the ruins of a virtual national insolvency, by means of a policy which had consideration for the interests of the primary producer -- a policy which increased the price of exportable commodities such as wheat by 25 per cent -- Canada actually raised the tariff still higher and did practically nothing to increase the prices of her agricultural products. As we have already said, no adequate downward adjustment of these exorbitant tariff rates has since been effected."

Mr. Chairman, I want to depart from this formal discussion for a moment to emphasize again the importance of the price of wheat on our economy out here. In the years following 1930 the average price of wheat was 86 cents. In the six years before that it was more than twice that figure. The interesting thing to me is this: the relationship of the value of the price of wheat to the value of our whole agricultural production. It is remarkable how close it is. I have extracted here the gross value of our agricultural production by years since the war period, and the average price of wheat. In the three years, 1918 to 1920, the price of wheat was over \$2.00 a bushel, while the gross value of our total agricultural production, everything, was \$196,000,000, which works out to \$1,000,000 of our total agricultural production to every cent in the price of a bushel of wheat. In the next three years the price of wheat dropped to below a dollar, or about a dollar, and the value of our agriculture products was

a little over \$100,000,000. In the next six years the average price was about \$140, and the gross value of our agricultural production was \$139,000,000. In the last six years prior to last year the average price of wheat was 68 cents and the gross value of our agricultural production was \$63,000,000. Now, that may be an interesting coincidence.

THE CHAIRMAN: Am I correct in this: the coarse grains keep fairly in line with wheat; that is, when wheat went up markedly the coarse grains went up, and when wheat came down markedly coarse grains came down.

HON. MR. BRACKEN: I am not an economist but I would gather there is a tendency in that direction; although it does not necessarily follow that the changes are in exact proportion. But at least these are facts and very interesting. What I want to bring out is the importance of the price of wheat on the prosperity of our whole economy, and the importance of doing everything we can do to keep it from going to the depths, as it has done in the last six years.

THE CHAIRMAN: My recollection is - I speak only from recollection - that agricultural products in other provinces where wheat is not the predominant product, reached correspondingly low levels.

HON. MR. BRACKEN: The only point I was making there was that apparently the price of wheat is closely related to the gross agricultural production in western Canada, and for that reason it is important that it be given the very best attention of the state and all who have to do with policies which affect its price.

"What history will say about the two Canadian policies, which, in the depth of western Canada's greatest crisis, placed upon this part

of Canada a further handicap estimated at 100 million dollars per year, there can be little doubt. In the case of Manitoba, these two Dominion policies cost us more than twice as much as all our annual provincial taxes. They cost us more each year than the total of all the municipal taxes levied by our 174 municipalities. Thus, in what the Dominion government did and in what it chose not to do, it was acting in a way utterly opposed to the interests of the primary producers of this country."

We can leave the question of the exact amount for further study.

"The action of the Dominion government in establishing a Central Bank was a favourable feature of Canadian monetary policy. Since it is apparent from the conditions under which the industries of western Canada carry on that it is of the highest importance that all fixed charges, including especially interest rates and taxes (to the extent that the latter are levies to pay interest), should be kept to a minimum, recent Central Bank policy tending towards low interest rates has been most gratifying. The interests of primary producers in western Canada lie wholly in the direction of low interest rates. It is hoped, therefore, that the present Central Bank policy will be continued in order that the basic rate of interest will have little practical meaning or effect for citizens and governments of western Canada, unless, and until, the readjustments which we now seek have been made, because it is obvious that until then neither the citizens nor the governments will be able to obtain

the credit which they require at a rate within a reasonable margin of the basic rate.

From the standpoint, therefore, of reducing rates for citizens and governments in the future, two things are necessary:

- (1) That the basic rate of interest be kept as low as possible by Central Bank policy;
- (2) That by necessary adjustments of private and public debt, and by fundamental changes in the financial plan of Confederation, citizens and governments in western Canada, shall be in a position in which they can obtain their credit requirements at a rate of interest approximating the basic rate.

DISABILITIES ARISING FROM CERTAIN EXTRANEIOUS FACTORS.

A third group of disabilities, namely, those arising from certain extraneous factors, will now be considered. We shall discuss these under three headings:

- A. - The inequity of certain rigidities in the price structure.
- B. - The fall in income and decrease in employment following the construction era of development;
- C. - The failure of the Dominion government to take adequate steps to deal with the problem resulting from the drastic decline in agricultural income in recent years.

A. - THE INEQUITY OF CERTAIN RIGIDITIES IN THE PRICE STRUCTURE.

One of the causes contributing to the economic difficulties of western Canada is the peculiar nature of the price structure that determines the income of different groups and different areas in Canada, and that places upon the primary producers in this part of Canada the major effect of decreases in the world prices of our agricultural products.

By price structure we mean the combination of factors which determines the income of western Canada. Such western income, derived for example from wheat, is what is left to the producer after the fixed charges for all the various expenses of handling it (beyond the producer's door or beyond our borders), are deducted from the world market price. To illustrate: the freight on wheat, the commission on its sale, the cleaning and handling charges are all fixed amounts per bushel regardless of whether wheat sells for \$2.00 per bushel or 50 cents. The prices of equipment and repairs, and the rates of interest on loans, while not permanently fixed, nevertheless respond not at all or very slowly to declines in wheat prices. As a result, western Canada, to a considerable degree, finds its income determined by what is left after other fixed charges and semi fixed charges, are paid for; it may be said to get the "residual" price.

The effect of this may be made more clear by an illustration. When the price of wheat at Fort William falls from \$1.00 to 50 cents per bushel, it is a decline of 50 per cent in price at that point. If we assume that the total

cost incurred in handling wheat after it leaves the farmer's granary is the hypothetical figure of 25 cents a bushel the net price to the farmer would drop from 75 cents per bushel to 25 cents, his income thereby being cut by 66 2/3 per cent despite the fact that the price of wheat at Fort William declined by only 50 per cent. At the same time the earnings of the railway for freight and the elevator for storage charges and the commission man for handling charges do not drop at all.

In brief, while the income of certain other classes tends to become a fixed amount per unit of our products regardless of whether the price is high or low, the income of the producer bears practically the whole shock of reductions in price. In other words, the deduction of these fixed charges accelerates the reduction of income to producers and leaves them carrying the major portion, if not all, of the weight of the decline.

We are a producer area and producer's prices are subject to a cumulative series of charges that do not bear a constant relation to price. How serious this becomes when the price of wheat at Fort William drops to 54 cents per bushel, the average for the 1932 crop season, one can well recognize. (One day it was down to 40 cents.)"

When the price of No. 1 Northern is at 54 cents the price of No. 5 and No. 6 Special is down to anywhere less than half that. During the whole period of this depression it was a common thing for barley not of the highest grades to be sold for ten cents a bushel.

THE CHAIRMAN: There is no doubt that the rigidity of the price structure, as you say, very prejudicially affect the western producer for the reasons you have

pointed out. Because of my experience in western Canada I have reason to know that. Is there any solution to the problem.

HON. MR. BRACKEN: I am afraid that is a long time one; but at the moment we are suggesting that, having that condition, it is an added argument why the central government should help more with the cost of maintaining social services. That is our argument.

THE CHAIRMAN: Under these conditions each province will carry on the functions of government, and the municipalities, where the revenue is not so severely affected by reason of the reduction of price in the export market abroad.

HON. MR. BRACKEN: That is the point I wish to establish and for the purpose of supporting the argument the central government, in a nation like ours, where we have these economies that are not well balanced and are subject to such wide fluctuations, the central government should undertake to do this.

B. - THE DECREASE IN INCOME AND LESSENING OF EMPLOYMENT FOLLOWING THE CONSTRUCTION ERA.

The income of the people of Manitoba and western Canada generally during the pre-war period depended to a significant extent upon those gainfully employed in the building trades and railway construction. The expansion of these activities along with the development of our natural resources, particularly land, created a progressively prosperous era in the prairie provinces. The influx of skilled and unskilled labourers into western Canada at that time was in a large degree responsible for the growth of our cities, towns and villages. As settlement moved westward, Manitoba continued to service much

of this development in the two-way traffic which resulted. When a country is expanding its construction of railways and buildings to meet the needs of a rapidly growing population as in the early years of this century in the West, employment is increased and tremendous expenditures are made for plant and equipment, and the expenditures for such plant and equipment flow into the income streams of the population. When these activities cease, employment opportunities drop off and the absence of the former expenditures sharply reduces the community income.

In 1911, 15.16 per cent of the total population of Manitoba and 39.27 per cent of those gainfully employed were engaged in agriculture. In 1936 there was no substantial change, there being 14.29 per cent and 37.65 per cent, respectively, thus engaged.

Decreases in Employment. - In the building trades we find a significant change has occurred. In 1911, 4.03 per cent of the total population and 10.45 per cent of the gainfully occupied were included in this classification. By 1936 this industry had declined by more than a half to a point where only 1.79 per cent of the total population, and 4.71 per cent of the gainfully occupied were so engaged.

In 1911, 3.71 per cent of the total population, and 9.61 per cent of the gainfully occupied were employed in our transportation system; in 1936 these percentages had shrunk by a third to 2.55 per cent and 6.72 per cent, respectively. Relative percentages of those engaged in manufacture, trade and merchandising have also declined.

The tremendously rapid growth of population

during the first quarter of the century placed an unusually heavy burden upon the provincial governments, which could in no way control the national growth but which were nevertheless charged with the cost of the public services consequent upon it. Moreover, our present economic difficulties are due in part to the very sharp decline in employment income consequent upon the cessation of activity in the construction industries.

In western Canada, in the discernible future, no large capital expenditures comparable to those that prevailed from 1905 to 1930 may be expected. Our railroads are fully developed and public works in large part completed; our cities, while needing repair, are, to a large extent, already built. The adjustment which we propose with respect to indebtedness and social services recognizes the situation which we have so briefly described but the importance of which we cannot too strongly emphasize.

Burden of Taxation on Land. - In passing it should again be emphasized that no single factor subject to the control of governments has retarded building activity so greatly as the loading of an intolerable burden of taxation on land. This is the result of the unsound policy of leaving social services and relief costs as a charge upon the provinces and municipalities. The land tax is a major obstacle in the way of restoring employment in the building trades. The provincial government has recognized this situation and even in the face of pressing needs for revenue has consistently reduced its taxes on land. In the year 1921 land tax levies for provincial purposes amounted to

\$2,494,644.43. By 1936 they had been reduced to \$664,000.00, and it is now proposed to eliminate them altogether as sources of provincial revenue."

Mr. Chairman, that is not all that has been done in an effort to try to get the burden off land. As I have said, in the year 1921, the provincial tax levy on lands in Manitoba was \$2,500,000. That has been reduced. Last year it amounted to \$660,000. That was a deliberate policy for the purpose of making that source of revenue available to the municipalities. We have not done as much as we should do, and as much as we must do, But even that is not all that we did. During the war Soldiers' Taxation Relief Act was passed. The revenue to finance that act to make certain payments to return soldiers or dependents came from the land. For a period it was not levied before the present government came into power, and shortly afterwards. That remains as a debt on the municipality. We wrote that off and assumed it ourselves. It amounted to about \$1,200,000. Owing to the development of this country since the late years of the last century considerable areas of land had to be drained. To provide for the drainage of these lands a tax was levied on the areas within the boundaries of certain drainage districts. In many of these drainage districts land has not even been capable of carrying the tax. A year or two ago, after a thorough examination of the matter, the government assumed a part of the debt of these areas. If that debts had remained men would have abandoned the land. That cost us nearly \$2,000,000, but it was a relief from land taxes in these areas. In more recent times moneys were advanced to several municipalities in south western Manitoba because of drought conditions. These loans were written off to the extent of \$1,140,000. This could only

have been paid by taxes on land. In other ways we have attempted, as far as within our power lay, to relieve land from the burden of provincial taxes and all other taxes. We have not gone as far as we must go in that direction; but we hope it will be possible for us to get out of the field of land taxation altogether and leave it to the municipalities.

THE FAILURE OF THE DOMINION GOVERNMENT
TO TAKE ADEQUATE STEPS TO MEET THE DRASTIC
DECLINE IN AGRICULTURAL INCOME IN RECENT
YEARS.

"The prairie provinces, including Manitoba, were plunged into the severest crisis of their entire history following the collapse of 1929-1930.

In the six years from 1925 to 1930 the estimated total gross agricultural production of the prairie provinces was \$4,326,610,000. In the six years from 1931 to 1936, their estimated total gross agricultural income was \$1,997,066,000, a decline of \$2,329,555,000 as compared with the preceding six years, a decline of 53 per cent, an average decline of \$388,000,000 per year.

This six year decline is more than two-thirds of Canada's national debt. It is more than seven times the combined net debt of the three prairie provinces as of 1935. It is one hundred and twenty-five times as much as the combined taxes of the three prairie provinces for 1935. In other words, with an amount equal to this six-year loss of value we could pay off the combined net debt of the three prairie provinces as at 1935 and on the basis of the tax receipts of that year have enough left to pay the combined provincial taxes of the three prairie provinces for a hundred years.

That statement contains the explanation of the difficulties of western Canada. This Commission will not misunderstand that statement. Gross agricultural production means gross agricultural production. It includes some things that are counted twice; for instance, seeds and hay that is fed to live stock, barley that is fed to animals. It is not a statement of net income but is the only figure given out by the bureau of statistics that we can use. In any case, the figures are comparable between one period and the other.

THE CHAIRMAN: Am I correct in this statement Mr. Bracken: during a substantial portion of the first period 1925-1930, the price of wheat was in excess of \$1.00 per bushel.

HON. MR. BRACKEN: These are Fort William prices. As I said a little while ago, the average price from 1930 to last year -- six years -- was 68 cents; the average price for the six years preceding 1930 was over \$1.40. These figures show \$1.43.

THE CHAIRMAN: Thank you very much.

HON. MR. BRACKEN: On top of that, of course, we had in certain years lower production; but the main cause of our difficulty was in the lower prices. When you compare the 68 cent price in one six year period with the \$1.40 in the other six year period, and take into account the smaller crops, you will see that we received \$2,350,000,000 loss in agricultural value.

THE CHAIRMAN: In dealing with a twenty year period or more \$1.40 a bushel would be above the average price, would it not.

HON. MR. BRACKEN: Oh, yes. I shall furnish you with the information, if you desire it.

THE CHAIRMAN: No. That thought occurred to me as you read the figures with regard to the total production. Was the value of the total production in that period due to the high prices^{of} wheat, the abnormally high prices of wheat, or does it represent the normal production in the prairie provinces for the five year period.

HON. MR. BRACKEN: You mean the normal prices?

THE CHAIRMAN: I mean the normal prices. That is the only point I had in mind.

HON. MR. BRACKEN: Well, during the war it was over \$2.00. Three years after the war it was not much more than half that, and for half dozen years it was around \$1.30 and for the last six years it has been sixty eight cents. I wish this commission could tell us what it is going to do in the next three years. It is now 4.30 so perhaps I should conclude my remarks tomorrow.

THE CHAIRMAN: Was it understood that the real estate board would appear tomorrow.

MR. FOWLER: It was understood that the real estate board brief would be submitted tomorrow. I shall discuss the matter with Mr. Bracken;

HON. MR. BRACKEN: It is perfectly all right with me to have it presented at any time.

THE CHAIRMAN: Whatever suits your convenience is agreeable to us.

HON. MR. BRACKEN: Whatever suits this Commission is what matters. I shall be here tomorrow any way.

THE CHAIRMAN: The only point I had in mind was, it was understood that the real estate board should be heard sometime tomorrow.

HON. MR. BRACKEN: I am agreeable to that arrangement. They can go on first.

The Commission adjourned at 4.30 p.m.
until 10.30 a.m., Friday, December 3rd.

ROYAL COMMISSION ON DOMINION PROVINCIAL RELATIONS

REPORT OF PROCEEDINGS

Manitoba
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WINNIPEG, MANITOBA, DECEMBER 3, 1937

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

WINNIPEG, MANITOBA, DECEMBER 3, 1937.

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Law Courts, Winnipeg, Manitoba, on Friday, December 3, 1937, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFOE, Esq.)	Commissioners
DR. ROBERT ALEXANDER MACKAY)	
PROFESSOR HENRY FORBES ANGUS)	

Commission Counsel:

Louis S. St. Laurent, Esq., K.C.

Secretariat:

Alex. Skelton, Esq.,	Secretary
R. M. Fowler, Esq.,	Legal Secretary
Wilfrid Eggleston, Esq.,	Assistant to the Secretary
Adjutor Savard, Esq.,	Secrétaire Français

FOR THE MANITOBA GOVERNMENT:

Honourable John Bracken	Premier
Honourable William J. Major	Attorney General
Honourable Stuart Garson	Provincial Treasurer
John Allen, K.C.,	Deputy Attorney General
Colonel C. K. Newcombe	Commissioner, Workmen's Compensation Board and Old Age Pensions
J. H. Evans, Esq.,	Deputy Minister, Agriculture
Isaac Pitblado, K.C.	Counsel

FOR THE PROVINCE OF BRITISH COLUMBIA:

Senator J. W. Farris, K.C.	Counsel
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FOR THE PROVINCE OF ONTARIO:

D. W. Lang, K. C.	Counsel
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FOR THE WINNIPEG REAL ESTATE BOARD:

W. Sanford Evans, Esq.,
Clarence Day Shepard, Esq.,

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Law Courts,
Winnipeg, Manitoba,
December 3, 1937.

MORNING SESSION

The Commission met at 10.30 a.m.

THE CHAIRMAN: I understand that representatives of the Winnipeg Real Estate Board are to present a brief this morning.

Submission by Winnipeg Real Estate Board.

MR. CLARENCE DAY SHEPARD: Mr. Chairman, and Members of the Commission, the Winnipeg Real Estate Board is an organization which is almost twice as old as Confederation. It started here in 1903.

THE CHAIRMAN: Did you say 1803?

MR. SHEPARD: 1903. It is composed of representative people engaged in the real estate business, and has a membership now of about seventy-five. Knowing that this Commission was to sit in Winnipeg, they felt it was their duty to present to you some of the salient factors bearing on the real estate situation in the city of Winnipeg. The Hon. Mr. Bracken has been good enough to stand aside for the time being, and you, Mr. Chairman, have agreed, in order to enable Mr. W. Sanford Evans, whose Statistical Service prepared this brief, to present it before you. When Mr. Evans is finished, if there are any questions the Members of the Commission desire to ask in order to have any points cleared up, we shall be very glad to do so. I now introduce Mr. Evans.

MR. W. SANFORD EVANS (Representing Winnipeg Real Estate Board): Mr. Chairman, may I, in opening, express my personal gratification, and the gratification of those I represent, that the great work upon which this Commission is entering has been undertaken, and undertaken by so competent a tribunal.

I should also like to express my very sincere appreciation of the courtesy of the Commission in disarranging its programme to allow me to do what the Real Estate Exchange had asked me to do in appearing before you prior to leaving the city. I should like also to express my appreciation to Premier Bracken for allowing me to proceed this morning. I have received many courtesies from Premier Bracken, and I appreciate them.

May I at the outset, Mr. Chairman, file with the Commission as an exhibit this brief on "The Tax Burden on Owners of Real Property" which is submitted by the Winnipeg Real Estate Board.

EXHIBIT NO. 9 Brief submitted by the
Winnipeg real estate board,
"The Tax Burden on Owners of
Real Property".

MR. W. SANFORD EVANS: The purpose of this brief is simple, Mr. Chairman. It is to lay before the Commission the position of the owners of real property in the tax system in Canada. It is our submission, Sir, that the tax burden upon real property owners is too heavy; secondly, that it is inequitable inasmuch as it is a disproportionnately ^{large} share of the taxes raised in Canada; and finally, that the effects of this position are adverse to the public interest.

We appear to present considerations to this Commission from a different point of view from that which the governmental bodies must have and will present. We are to speak of the effects in practice of the governmental taxation system in Canada.

There are many governments in this country, very many governments, Sir, and we are the subjects of each and all. We are the common factor. If there is any simplicity in the problem as you are about to investigate it, we would respectfully suggest that that simplicity or unity must be looked for and will be found in the position of the citizens.

We are confident that the Commission will fully appreciate that point of view, but if we may, we would urge it upon the Commission for there surely cannot be a proper solution of all these questions unless that solution results in a satisfactory position for the citizens.

Now may I say a word or two supplementing points in the brief with regard to this class of citizens that we particularly represent here to-day, the property owners. We will deal with the position of the property owners particularly in Winnipeg, and the facts that we shall submit are facts for the most part relating to the local situation. At the same time we should like to make it clear that in our understanding the condition of Winnipeg is typical of the condition of other cities in Canada, and is indeed typical of the whole municipal situation in this country.

Who are the property owners in Winnipeg, and how do they compare with other elements in the city? The property owners in Winnipeg number 32,000, according to the records of the city for the year 1936; and of that number, 29,000 odd are resident property owners, and some 4,000 odd are non-resident. In the city of Winnipeg there is a population of 224,500, and I might say that in using these figures of population we are taking the figures of the city assessment department for the various years. Your property owners, your resident property owners, at least, constitute, therefore, one of about every eight of the population of Winnipeg; but on the city's voters list, which contains the names of those holding the franchise, who have it in their power to determine the spending policy of the City of Winnipeg, there are these 32,000 property owners and 75,000 of tenants. The property owners of Winnipeg therefore, number, Sir, only one out of three of the voters determining the policy of the city of Winnipeg.

The number of property owners is very much fewer than the number of heads of families in Winnipeg. I consider that it is not a satisfactory basis for computations relating to matters of this kind to take a family group, because family groups vary so greatly, and moreover, the family is not an economic unit in the modern world.

To my mind the most satisfactory single basis is that of the numbers gainfully employed. We are dealing with payments year by year for government. Those payments should come out of income. It is those gainfully employed in Canada who primarily create the values and are the primary recipients of the income; and in my own mind I consider it more satisfactory to make comparisons with reference to the numbers gainfully employed rather than to take mere percentages of the total income of Canada.

According to the census of 1931 it was determined that in that year there were in Canada 3,927,000 persons gainfully employed; that is, 37.9 per cent of the population of Canada created the values which formed the income of Canada. With respect to the city of Winnipeg, in that year the percentage of the population was a little over 44 per cent, higher than the average in Canada. Now applying those percentages, the property owners in Winnipeg are equivalent to only one in three of the persons in Winnipeg gainfully employed. In 1931, there were 96,000 persons in Winnipeg gainfully employed, and there were 32,000 property owners.

THE CHAIRMAN: I suppose, Mr. Evans, it would be fair to assume that some members of the families of property owners were gainfully employed?

MR. EVANS: Oh, it is more than probable.

THE CHAIRMAN: Yes,

MR. EVANS: Yes, because, Sir, the numbers gainfully employed are very much greater than the numbers of married

couples. I found I could not work that out with any degree of definiteness because the family group is not really recorded in the census. But taking the number of married men, leaving out the women because they would be duplicated, and leaving out the widowed and divorced, there would be about 50,000 heads of families in Winnipeg, only 30,000 property owners, but 96,000 persons gainfully employed.

Now with regard to the group itself, may I suggest, Sir, that it is really a fairly representative group, because many of those of very low income standing still have the home instinct and acquire at least some equity in a modest home. There are no doubt included among the property owners many of those in Winnipeg who appear in the larger income classifications; but there are also some of them in the very lowest brackets. May I say that the ownership of property, therefore, is not a satisfactory measure of ability to pay; that is, the mere possession of property. That is more true when we consider the taxes must be paid in cash, and that property represents the least liquid of assets and is no measure either of income or of ability to pay in cash. And certainly, Sir, you cannot divide the population into property owners and those who are not property owners and conclude that the property owner has a superior ability to pay over the other.

One other general consideration. What is the probability of the shifting from the property owners to the general public of the burden imposed directly on the property owners? It is probable, Sir, that any tax in its effects spreads out until it touches every class in the community, and that no class can be indifferent to any tax. The property taxes are included in the class of direct taxation, as opposed to indirect, the reason for that distinction being that direct taxes are less easily shifted than are indirect.

Take the class of property owners in this city. A substantial proportion of them are owners of their own homes. They have no immediate opportunity to shift that tax. Another proportion would consist of those business houses which desired a building of their own and have it. Again, there would be no direct shifting. That would leave the properties which are rented; and the theory may be that in the rent the whole burden is moved over to others, and to a large extent that would be so. But, Sir, there is this difference. The tax in Winnipeg is levied on the capital value of the property as estimated by the City. According to the needs of the city that tax and that rate remain fixed. The property owner cannot shift to his tenant necessarily the tax in the same way because your rents are subject to the economic conditions of the time, and there is plenty of evidence during the past few years of the truth of that fact; and some of the evidence appears in the brief which we have filed. Your rents decline while your tax remains firm. Therefore there is some shifting, but it is by no means complete, and it is not nearly as great as it is with many other taxes. If you take the sales tax, for example, it is designed to be shifted, and is immediately shifted, or the greater part of it, from its imposition; or the customs tax; and even in respect to the income tax there will be some tendency in the conditions that increase costs to all individuals that might lead to an increase in the demand for higher wages, or whatever it might be. But taking all taxes into consideration, and the fact that there is some shifting in them all, we think that it is not unreasonable if, without taking that into particular regard, we make a comparison between the taxes directly imposed on property and other taxes imposed on other classifications.

Just at this point I should like to emphasize, so that it may be kept before the Commission, that while property owners are paying the taxes to which I shall particularly refer, they are not exempt from any other taxes. They receive no consideration in the rest of the system by reason of the large extent to which they have contributed in this property tax, and your property owner, of course, bears his share of the taxes on all other classes.

Now what is the situation in the city of Winnipeg?

In 1936 the total revenue of the city was \$10,400,000, and of that total revenue \$9,500,000 was derived from taxes and charges directly levied on property owners. That, Sir, meant that 92 per cent of the total revenue of the city in 1936 was levied directly on this one class, which numbers only one in three of the voters, only one in three of those gainfully employed in the city of Winnipeg. We submit, Sir, that that is a very large percentage for one class to be called upon to provide, out of a very large sum of money for the city of Winnipeg, namely \$10,400,000.

THE CHAIRMAN: Has the city, under its charter power to impose income tax?

MR. EVANS: The city has no such power, Sir. Let me make another comparison. We understand, Sir, with very great satisfaction that the Commission is engaged in having gathered together the general figures of debt and taxation of all bodies in Canada. It has been a very great lack in our system that there has not been available the combined results of the operations of all governments to which reference could be made. Some years ago I made an inquiry and arrived at what seemed to be the aggregate of all taxes of municipal, provincial, and Dominion authorities in Canada, and as of the year 1931 those figures indicated that the total taxation was in the neighbourhood of \$800,000,000. It may be more now, probably is, but taking

that merely as something to work on, without submitting it as a definite computation, if there were 3,900,000 odd gainfully employed in Canada, that meant roughly that each man or woman gainfully employed contributed on the average \$200 per year in aggregate taxes. It may be a little more to-day.

I would point, Sir, that in paying 92 per cent of the local levies in Winnipeg, each property owner on the average pays in the city of Winnipeg \$295 per year to start with, while the average aggregate tax paid by all those gainfully employed is \$200 per year. So the Winnipeg property owner in local taxes alone starts off by paying \$295 per year, and then he pays his share of all the rest of the taxes.

COMMISSIONER ANGUS: Do your figures for property owners include corporations?

MR. EVANS: Yes, they do include corporations, but the calculations I am making are designed merely to be suggestive and not definite. Now if we could follow that out, deducting from general taxes 40 per cent for taxes on property, for that is the percentage which it bore in 1931, and dividing up equally the balance of the taxes, that works out, Sir, that the individual property owner in Winnipeg on the average paid \$462 per year as against \$168 per year, the average of all those who are not property owners. There are imperfections in that method, but I suggest, Sir, that there is some significance in that method of presenting the case. That is, on a mathematical calculation of that kind, your property owner in Winnipeg is paying 2.75 per cent of the amount of taxes in Canada as a whole that the balance of the gainfully employed would pay throughout all the rest of Canada, including Winnipeg.

Now, Sir, those facts we present to support our con-

tention that the tax burden in Canada is not equitably distributed.

With regard to our submission that the burden on tax payers is unduly heavy and uneconomic, I might point that the \$295 per year which is paid in the city of Winnipeg would represent 3.67 per cent of the capital value as estimated by the city of all the land and buildings in the city--3.67 per cent on capital value per year. If we have in mind, Sir, the earning value of capital in these last few years, that must appear an exceedingly heavy imposition, and if our minds go back to the years in which capital had a higher earning or look forward to the years which will come again when capital will have a higher earning, we submit that even with these periods in mind a fixed charge that amounts to 3.67 per cent per year on the capital value of an investment is an excessively high charge. That means, Sir, that the property owner in Winnipeg after having made an investment in real estate, must be prepared to provide an amount equal to that whole investment once every 27 years and pay it over to the city, as well as providing for all other charges on property besides; and property is the least liquid of almost any class of investment.

THE CHAIRMAN: I think that rate is just a shade higher than the Toronto rate.

MR. EVANS: I have not here the figures for other municipalities, because we decided to confine ourselves to the conditions with which we were directly familiar.

Now may I suggest a comparison with conditions in other countries. I saw within the past week a press despatch that a member of the British House of Commons, speaking in parliament there, gave figures of the growth of aggregate taxes in the United Kingdom, comparing certain periods,

his point being that the burden had become enormously heavy; and he gave figures as of the present time which represented an average of \$105 per year for every man, woman and child in the United Kingdom. If the gainfully employed should happen to form the same percentage there as in Canada, and it is probably a higher percentage there, that would mean that each person gainfully employed in the United Kingdom is carrying an enormously heavy load of \$277 per year. Our property owners in the city of Winnipeg start with \$295 and share all other taxes in addition.

On this and other grounds, Sir, we suggest that the tax burden on the property owners is really excessively heavy in itself. We shall support that contention with some concrete figures a little later on, and I shall deal in just a moment with the general aspect of the public interest as it is involved.

It may be asked, how has such a situation as this come about? In theory, at least, in the British system there are checks and controls, and how has this come about? I might mention three conditions which have facilitated such a situation.

The first is that in our system as it works we have been continuing in effect what was discarded in the British public finance system 150 years ago; that is, the earmarking of certain expenditures against certain particular revenues. It is just 150 years ago that the Consolidated Fund Act was passed in Great Britain, under which all sources of government revenue, all streams were to flow into the one fund and all payments flow out from that fund. By long experience it had been discovered in Great Britain that it was not wise and was unsound definitely to earmark expenditures against certain revenues because the expenditures ought to be made according to their relative importance to the public, and not according to

what it was possible to derive from any particular tax; while on the other hand, if there were growing needs of certain expenditures earmarked to come out of one particular tax, and it was attempted to meet these growing needs, unfairness and injustice might be done to a particular class of taxpayers by forcing them to contribute out of proportion to their ability.

The continuance of that system in Canada comes about by reason of the fact that certain duties and responsibilities are delegated to certain local bodies. Each of these local bodies has only one tax or impost, deriving up to 92 per cent of its revenue from one tax. If duties are imposed on bodies which have only one tax, they are all earmarked against this one tax and against one class of taxpayers.

Now I turn, Sir, to Chart No. 1 on page 3 of the brief that has been submitted by the Winnipeg Real Estate Board. It shows that there are concerned in the creation of the obligation which is levied to the extent of at least 92 per cent on property owners, the following taxing authorities: The Manitoba government; The Greater Winnipeg Water District; three minor local organizations, each having some statutory authority--The Parks Board, The Police Commission, and The Library Board-- and then the City Council. The City Council has itself directly under its control only 50.1 per cent of the amount demanded from the property owners. Now in an arrangement of that kind, when there exists no system under which all these bodies should meet together and co-ordinate or adjust the total, which falls as a total almost completely on one class, there is a gap in our system which is extremely serious in its consequences.

Referring again to the British system, the necessity of the performance of the function of co-ordination and

adjustment has been fully recognized, and it is more completely developed in the Treasury Board in the British parliament than in any other part. But in every governmental body your details must be brought together and put into a whold. But here we have bodies meeting separately, with no provision that they should come together to adjust matters, with no supervising authority to declare when a limit has been reached, but each of them acting independently can demand that the city levy and pay over to them the sums of money which they think are required for their purposes, and the city must pay that money over whether it is able to collect it or not.

And now under those conditions, even with the control which the British system provides--control by the electorate--that is too complicated. We could not expect that control to work, and it does not work. It is confused. It is one of the functions of the provincial governments in Canada, and we do ask why should there be all these governments dealing with local affairs in this district and having a right independently to levy one or two taxes.

And finally, Sir, your property owner is only one in three of the voters. Taxation calls for representation, but there is no recognition of that principle in the system here. Your property owner, Sir, is absolutely helpless under those conditions, and if it is agreed that his position is inevitable, then, Sir, he must be provided some protection because he cannot provide that protection himself. Those in the main are considerations of a more or less general character, but we have undertaken to put before the Commission some actual facts which we hope might be of assistance to them.

I turn now to Chart No. 2 on page 5 of this exhibit. It gives a picture of the property tax as actually levied on the city of Winnipeg from the year of 1911 to 1936. I

may say that that particular period was treated primarily for the reason that the total of the general figures covering that period are contained in the latest report of the Commissioner of Finance, and taking the total as a whole it was converted into a picture. There are only one or two points I would add to the brief reference that is made to the chart in the Exhibit.

In the year 1911, which is the first year which is in this chart, the number of property owners in Winnipeg was 31,000 odd, and in the final year, 1936, that number had grown to 32,000 odd. There had been very little change in the numbers affected. The tax in the meantime, Sir, had increased by three times, and at the end of the period each property owner in Winnipeg was carrying absolutely almost three times the load of the individual property owner at the beginning of the period.

In the shaded tops of the column for the last six years are represented the expenditures made by the city of Winnipeg for unemployment relief, which were not collected but are carried in the city's accounts as deferred payments, against which temporary borrowings were made.

THE CHAIRMAN: You speak of the burden being three times as great in 1936 as in 1911. I presume you are speaking of the actual revenue in dollars?

MR. EVANS: Yes, in actual dollars.

THE CHAIRMAN: Of course, the dollar to-day is not worth as much as it was in 1911. There is a substantial difference there, is there not?

MR. EVANS: I am very glad that point has been raised, Sir, and I can indicate that in a chart that is to follow; but I am referring now to an absolute dollar comparison.

COMMISSIONER ANGUS: Has the aggregate of property, not the number of property owners, increased in that period?

(Page 600 follows)

MR. EVANS: I do not believe there is any increase in the extension of boundaries in Winnipeg, but there was in building. The value of property certainly has increased, but not the number of property owners except to an insignificant extent.

I was basing my comparisons on the person and not on the value of the assessment, and I was referring to those deferred payments that are not included.

Now even since the Commission has been in the city of Winnipeg, it is reported that definite notice has been given to the effect that the province does not consider that it is possible for it to continue to assist in meeting the problem which is represented in that figure, to the extent of raising money that the city could borrow.

If that condition develops, there is only one alternative: either all of that additional amount must appear in the levies from this time on, or the city must default. Therefore the immediate prospect before the property owner is a great deal more serious than the actual situation with which we have been dealing.

We direct attention therefore to the rate of increase in dollars per person of the taxpayers, and if it should be said that improved times will come again, and we are all certain that they will, nevertheless I would ask that it be borne in mind that when they come again we shall start them on that basis per person, as indicated on the chart, instead of the other.

Now just a word or two with regard to the actual composition or analysis of the total taxes borne by the city of Winnipeg. The charges for social services in 1911 and in 1936, as figured out per head of population of the city of Winnipeg, are shown in the first column in

Chart No.3.

Per person in Winnipeg, all that is not included under social service was covered by the average charge per person of, I believe, 1.52. In the year 1936 there was over \$13 per person -- every man, woman and child -- expended. Included in that column is shown what was spent for unemployment relief, which in that year was not levied for.

If we deduct those expenditures, we shall find that there was over \$6 spent per person in 1936 for every \$1.50 spent in 1931. The increase in social services has been at a greater ratio, even without unemployment relief than has been the increase in any other class of services performed.

HON. MR. BRACKEN: You said 1931, Mr. Evans; I think you meant 1911.

MR. EVANS: Yes, I should have said 1911; I made a mistake. The next columns make a comparison of expenditures on education and other general groups are included in the other figures in that chart -- that is, Chart No.3.

Now this is the question I want to ask: Why should property owners bear 92 per cent of all those services? There are only certain of them that have any more immediate effect or are of more immediate benefit to the property owner than to any other class of citizen. One of these would be fire protection.

Now undoubtedly a man owning property should pay for the protection of that property. But, sir, fire protection is not only for the protection of buildings; it is for the protection of persons as well; and any citizen of Winnipeg who is not an owner of property has

as much need of protection from fire as has any other citizen and should be prepared to contribute something to the cost.

Police protection is another, because the police protect both buildings and persons. Again, that protection is shared. Therefore, although there may be some classes of services in which the direct interest of the property owner is greater than that of persons who do not own property, I still ask the question: Why should a man who has an equity in a home have to pay 92 per cent on all these services when he has no more interest in the purposes that are to be served than has any other man of equal income? Yet the burden is saddled upon him.

It may be said, "Oh, well, the Dominion or the province say that they cannot undertake all this unemployment relief, for example, and we will impose a proportion of it on the city of Winnipeg -- a great city of 224,000 people." That is the way it looks from the top; but if you begin at the bottom, sir, where we are, and where the reality lies, that burden is not imposed on the great city of Winnipeg, with a population of 224,000; that burden, if it is to be collected, will fall upon only 32,000 people in Winnipeg, because there is no other place where under present conditions the city can get the money.

I come now to Chart No.4. Referring to the point you raised, sir, I may say that Chart No.4, presented in the brief, gives in outline the curve of the increase in property tax in Winnipeg, and from a base in 1919 represents also the curves of certain indexes.

The principal index is that of value of all agricultural production in the three prairie provinces during

the years from 1919 to 1936, as worked out on a four-year moving average. To my own mind, the four-year period is about the briefest period for which we can satisfactorily take the figures, and a moving average of that kind smooths out the sharpest irregularities year by year.

The latest figures I have seen from the Dominion Bureau for the year 1934 estimate that agricultural production in these provinces constituted 63 per cent of the total value created in the prairies. Therefore the curve of the values that constitute 63 per cent must be a significant index.

The second index is that of total volume of physical production in Canada as represented by the Dominion, multiplied by the index numbers and general wholesale prices to give a value to that volume in order to bring into view some index that would apply more widely than merely to the prairie provinces themselves.

If a moving average had been made of this index which appears in the broken and continuous line, the correspondence of the two indexes would be very striking indeed.

In the last few years, from 1930 on, the indexes of wholesale and retail trade in the province of Manitoba are added to secure a still more local base for comparison. The periods were selected because the physical volume of business index was not available prior to 1919, and these wholesale and retail trade indexes are not available prior to 1930.

You have referred, sir, to the value of the dollar having changed. If we can take the value of business and production as indicated in the real change of the

dollar, then the actual weight of the load carried in 1936 is three times as heavy to bear as it was in the year 1919, and very much heavier than that, of course, as compared with the load in 1911; and that increases enormously the real pressure on the people.

I would call attention in a word or two to two other sets of figures against which to test the general conclusions suggested in the earlier part. One is this test of the curves of index numbers, and the other is the actual position of the city of Winnipeg. In the map before you, the original of which was prepared at the City Hall, the portions in red represent the properties, full title to which has already passed to the city of Winnipeg -- \$5,100,000 worth of properties.

There are in addition, in process of passing to the city, \$1,400,000 worth of properties now held under tax certificates, nearly all of which will pass into full title in the course of weeks or at any rate of a few months. Moreover, there is \$5,500,000 of arrears of taxes in the city of Winnipeg outstanding for the full three years. How much of that may be redeemed, we do not know.

We do not represent it as extraordinary that many property owners should have been unable to meet their obligations in the last few years; but, sir, the significant fact is that when the city offered all that property at the price of three years' taxes no investor could be found to take it up, so that it became inevitable that the city should borrow money and take it over itself.

Up to the year 1914, that is as shown in the chart, the city never had an opportunity except in connection

with an occasional lot, to acquire title. There was competition among investors to take over, at charges against property, anything that fell into the hands of the city -- or rather, I should say, investors were induced to compete. But ever since that period the city has had to take it up itself more and more until we find it in the position shown on that map. And the actual position is more difficult than would be indicated there because, except where a full block is owned by the city, for the purposes of this map the property owned by this city has been grouped; otherwise, to put in a single lot would have made a representation which would not be distinguishable.

The map is therefore a graphic representation, but it truly represents the proportions, and the city must deal with a mass of largely scattered little blocks.

Undoubtedly it was a mistake at the beginning to incorporate so much vacant property within the city bounds, but that mistake was made a long time ago, and it is creating a vastly more serious mistake to have this property now all reverting in this way, because the conditions are such that no investor will take that property for three years' taxes.

And, sir, the costs incurred by the city in maintaining the utilities of Winnipeg have to be charged back on the remaining property, and so increase the cost. We are pyramiding the charges, and if this map had contained a picture of the suburban settlement around the city we would have had a picture of another extremely serious consequence of the undue burden upon property within the city; because the reasons why a proportion -- a large proportion -- of those who settled just outside the city's boundaries, the

explanation of the way in which they were persuaded, perhaps by property owners, to settle there must not be lost sight of. You see what the charges are on property in Winnipeg; but the charges here are only a fraction. The people went there not realizing that when settlement increased they would have to incur heavier charges. The reason they went there, leaving vacant property in the city of Winnipeg, was this: they thought they had to face undue charges, and this whole district is going to be encumbered for all time with enormously increased costs because of this scattering of population, which was inevitable under those conditions.

Just a final word or two with regard to the people who have not yet allowed their properties to go. In order to obtain some insight into what was really happening to representative properties, the real estate board commissioned my office to undertake a survey of representative business properties.

We selected 23 centrally located business properties that seemed representative in all main respects and appeared to be fairly satisfactory buildings, and we approached the owners or managers, who all agreed to submit to my office confidentially, according to a schedule which we drew up, the details of revenue and expenditure during the last nine years.

The condition was that these details with regard to any individual property should be held by us as strictly confidential, but that we should be at full liberty to use the aggregate figures in order to bring forward a representative statement. We shall be glad to hand to the Commission a little graph of the central part of the city in which the location of these properties is indicated, so that the Commission may have before it

and bear in mind the fact that these buildings are centrally located.

Of course, if there were any inquiries to be made further into the matter, we should be very glad to show anyone representing the Commission exactly what properties were involved.

THE CHAIRMAN: You say that these are typical; they are not chosen because they are exceptional but because they are typical of other business properties in the same district?

MR. EVANS: Yes sir. It might be possible to duplicate this proposition; I think it will be hard to triplicate it, getting as representative buildings.

In the brief the different classes or types of buildings are referred to. The general idea, then, may be presented in this form. Suppose that in the year 1928 an investor had come to the city of Winnipeg prepared to invest a large sum of money in business property. He might very easily, and with a great deal of justification have selected these 23 properties. Then, assuming that he was prepared to pay a price for these properties according to the assessed value of the city -- not the rateable assessment but the full assessment of the buildings and land -- he would have invested in 1928, \$5,900,000 in those 23 properties.

In Chart No.8 you will find the curve of the different items of expenditure and of income during the period. I will leave the Commission to examine the exhibit itself rather than attempt to go over these details, because that is not necessary. But, sir, as a result of the whole investment it is shown that, after meeting necessary costs, not taking into account depreciation and

obsolescence, on the average for the nine years the return on that capital would have been only two per cent.

It is not possible to omit the obsolescence and replacement; these are both real charges on property. In connection with the Dominion income tax, I believe that the Dominion allows five per cent per annum on frame buildings, $2\frac{1}{2}$ per cent on brick and stone, two per cent on concrete and ten per cent on plant and equipment such as elevators or furnaces or whatever it may be in connection with the building.

If we assume, then, that the average on all these classes of buildings should be $2\frac{1}{2}$ per cent per annum, that would amount, if we took together both land and buildings, to a yearly charge of $1\frac{3}{4}$ per cent -- that is, on combined land and buildings -- at full assessment in the city of Winnipeg.

Provision must be made for obsolescence and after making that provision, the return on capital in the whole of those nine years was a quarter of one per cent per annum.

COMMISSIONER ANGUS: Did the assessment in 1928 correspond closely to the market prices that year?

MR. EVANS: I am not quite certain in this specific case, but it should have done so, because the city is legally bound to assess at the fair market value.

COMMISSIONER ANGUS: I understand that. The prudent investor would pay the market price, and sometimes, in some cities, there is a discrepancy between the assessment and the market value, sometimes the assessment being a little higher than the market price. Is that the case in Winnipeg?

MR. EVANS: Yes. In the exhibit it will be seen that

we have made certain calculations, taking the assessed value at 1936 and casting it back, as if it had been that value instead of the other, so that it is made in both ways.

MR. SHEPPARD: In answer to the question you have asked, Mr. Commissioner, with regard to assessment, may I be permitted to make a statement? I was one of the Assessment Commissioners for Winnipeg for two years, and one of the Commissioners, Mr. Crabbe, is here now. I may say that the charter calls for the assessment of land to be 100 per cent and the assessment of buildings two-thirds of their value. For the purpose of this discussion Mr. Evans has put the buildings in at 100 per cent of value and not two-thirds, which appears on the assessment roll. In 1928 the assessment roll, on the whole in Winnipeg, was considerably higher than it is now, and there has been a large number of assessment appeals in the years since 1930.

The assessment on land as a whole in Winnipeg has gone down from a maximum of \$190,000,000 odd in 1914 or 1915 to about \$72,000,000 -- and land assessment in the city is still supposed to be 100 per cent; and whatever the total assessment is for 1936, the buildings represent, at two-thirds of their value, the difference.

The chart which Mr. Evans has just been discussing is predicated on the purchase of land and buildings at 100 per cent of their value at the time they were bought.

COMMISSIONER ANGUS: The question I wanted to ask was this. Were actual sales made in 1928 approximately all of land at the assessed values of that day?

MR. SHEPPARD: I would answer that question by

saying that the actual sales have been so very few in the last twelve years or so in Winnipeg that they have been a very poor guide for the Assessment Department, and where any have been made they have nearly always been in connection with properties in distress and at very much less than assessment. Sales have been made as low as forty per cent of the assessment, but I do not think that any real estate man in the city would agree that that necessarily represented the value.

COMMISSIONER ANGUS: No; but would it follow that the prudent investor of 1928 might not have got these properties at a price that would have enabled him to make a fair return on his actual investment?

MR. SHEPPARD: I would not think so. I would think that in making a study of the group of properties shown on that map, Mr. Dafoe, who is quite familiar with the city, will recognize the locations and the individual buildings can be considered. And those particular properties, irrespective of investment, have a value in bricks and mortar equivalent to assessment, if you take reproduction value so far as the buildings are concerned. But you are asking about the market value, and I say that there has been no market in the last ten years for real estate.

COMMISSIONER ANGUS: But is the prudent investor a man who buys property at cost or at market value?

MR. SHEPPARD: The prudent investor is an illusive individual; in fact, a great many judges have held that there is no such animal. We do not set up this chart for the purpose of entering into a discussion on the prudent investor; the chart is set up simply to show that the city of Winnipeg valued a certain

group of buildings at a certain rate, and on that valuation exacted a certain tax, and it indicates what the result was to the owner of property which, according to the city itself, was worth \$5,900,000. We are not attempting here to introduce the prudent investor.

COMMISSIONER ANGUS: When you speak of the prudent investor, remember the words are yours. But are you not attempting to introduce the prudent investor? Is it not assumed that this prudent investor had accepted the value placed on each of these properties in 1928?

MR. SHEPPARD: He did accept those values and he saw fit to invest his money. But if he had bought it at fifty cents on the dollar the figures would have been as disastrous.

THE CHAIRMAN: Perhaps you should have left out the word prudent.

MR. SHEPPARD: I did not prepare the brief, Mr. Evans did; but we stand behind every word of it.

MR. EVANS: There are just one or two more points I would like to touch on. Of all the classes of expenditure on these buildings, as contained in the returns presented, the proportion shown in Chart 6 in the first column was paid for taxes; absolutely the overwhelming proportion of all costs in connection with buildings was in taxes.

If we compare the taxes with receipts on the average 37 per cent of the gross receipts on these buildings in nine years had to go for taxes. Assuming again that an investor made such an investment, he would desire at least a return of six per cent and he would

probably consider that a minimum even after replacement of obsolescence was provided for. We are assuming a six per cent return on the investment, leaving the investor to take care of his own depreciation, which is making as low an estimate as could possibly be made. Now, if six per cent had been realized in that period, the amount shown in this whole figure would have been realized. The amount actually realized is shown in the shaded portion of the chart. If you will note the decline in the curve of margin left on that investment and will compare that with any other index decline, I think there will be no doubt that you will find there has been a sharper fall in the returns on property and in the building industry than there has been in any other class of investment or activity in Canada.

I judge from the press that some figures were presented here to show that for the province of Manitoba between 1925 and, I believe 1933 or 1934 there was a decline in income from 100 to 29, whereas Canada as a whole suffered a decline of only 40 odd. The chart here shows the decline from 100 to three per cent.

If you take building permits in Winnipeg you will find, taking 1926 as the base year, making that 100, that there has been a steady decline to six and a fraction.

If this Commission is taking into account proportional declines, then, sir, we do lay before you what we claim to be the most severe shrinkage that is to be found anywhere in Canada. That shrinkage has taken place in connection with property.

The question I would like to ask in conclusion is this. Is there an investment proposition in urban Canada to-day for the prudent investor? There was not in these

properties on that basis; there would not be at half the values which I presume were paid. You cannot find investors who will take up property in the city of Winnipeg for three years taxes.

I understand that the assessed values of the properties now under tax certificates was \$6,400,000. It is at this point that the public interest enters into the question. Of course, in general if there is inequity as between classes, if an uneconomic load is imposed upon any one class, it is not in the public interest. But is not the most immediate and pressing of public needs the revival of the construction and building interest in Canada?

In only two countries in the world, among the principal countries, is it being found almost impossible to revive that industry upon which all progress and improvement hinge, and those two countries are Canada and the United States. They are the only two principal countries in the world that I know anything about that tax property on capital value and try to draw a percentage of revenue for government out of property.

Great Britain taxes only rental or the equivalent, where the owner occupies the property. The proportion of taxes which Great Britain takes out of property is only half of what we try to take in percentage, and Great Britain and the principal countries of Continental Europe have not been finding it difficult.

Has not the state killed real property as an investment? For who would undertake it? At least, we can say that nobody is undertaking it, and the shots in the arm which governments are giving by way of guarantees on mortgages are failing of their effect

in Canada and the United States. For even shots in the arm cannot revive a corpse.

Is it in the public interest that discouragement and difficulties should be put in the way of the building of homes which the citizens will themselves own or properties in which they will anchor their business in the community?

We in Canada have made real property and the people in Canada who own real property carry an overwhelming load of the total governmental cost, and we submit that in the public interest that must be changed. We urge on the Commission therefore that they bear in mind the owner of real property and consider whatever proposals are made in the way of adjustments in our system in the light of the effect which such adjustments will have on the citizens, who surely must be the object of our concern in connection with government.

I thank you very much, Mr. Chairman, for the courtesy you have extended to me this morning.

THE CHAIRMAN: Mr. Evans, I should like to ask you a couple of questions. I assume that the total taxes which the city levies are necessary for carrying on the public services of the city. Have you any suggestion to offer as to the sources from which the taxes could be derived that would be shifted from the property owners, if they were relieved of a portion of the burden.

MR. EVANS: I would be very glad, on that point, sir, to submit some correspondence which the real estate board has conducted with certain cities in the United States which have recently taken action, or not long ago, to place a limit on the percentage of property tax in the cities. The United States is facing just the same problem we have here exactly. If it will be of any assistance to know the lines explored in the states we will be glad to submit it. My personal views, sir, of course, are, our governments are absorbing altogether too big a percentage of the total income of Canada today. It is quite clear to me that you cannot obtain out of the present amount safely, and certainly could not obtain more out of the sources of revenue which are available to the subsidiary bodies interested with which we are dealing. That leaves, then, the provinces and the dominion. You have the provinces case before you. If you cant find the place where it can be done then, sir, it must rest with the Dominion. Our only point is it cannot be done where it now is.

THE CHAIRMAN: Could the Dominion remain financially sound and carry the additional burden that would be shifted from the municipalities and the provinces.

MR. EVANS: If Canada is justified in spending that amount of money, yes, sir, provided it is properly allotted. If we trace that up, following the facts, and find that ultimately it is too great then we have proved that our governments are spending too much, and we have to cut down. Of course, a government can cut down just the same as an individual. Personally, I am satisfied that that condition has been reached. If we cannot find it here after we follow it through, then face the condition which the facts actually show.

THE CHAIRMAN: Than you, Mr. Evans. Now, Mr. Dracken, you may continue.

HON. MR. BRACKEN: Mr. Chairman, I am sure the Commission has listened with a great deal of interest, as we all have, to the statement made by Mr. Evans on behalf of the real estate board. Whatever else it illustrates, it illustrates the weight of the burden of taxation on property, which we mentioned before, and which he has emphasized. If there is any question in the minds of the Commission as to where else it might go -- for instance on incomes -- I would suggest that they put themselves in the position of the provincial government, which has sought to increase its revenues from some of these sources in past years. There is no question that the burden is unfairly resting on property. How to alter that is the problem which is facing us all. I was going to make some comment on what we have gone through in past years trying to raise revenue from other sources; but before I do that I should like to refer to two matters, both of which were raised yesterday. The first has to do with my more or less informal discussion on the relation of the price of wheat to our total production. When I was speaking yesterday in that connection, I was not referring directly to the

manuscript I had, with the result that some of the figures were slightly in error. I should like to submit this morning, if I may, an accurate statement of the average price of wheat and an accurate statement of the gross agricultural production of these years, and have it incorporated in the record.

THE CHAIRMAN: All right.

HON. MR. BRACKEN: I shall take one minute to run over it. In the years 1918 to 1920 the average price of wheat was \$2.14; the gross agricultural revenue was \$196,500,000. In the years 1918 to 1923, five years, the average price was \$1.65, and the gross agricultural revenue \$150,000,000. In the nine years from 1921 to 1929 the average price of wheat was \$1.34 and the gross agricultural revenue over \$127,000,000. In the six years 1924 to 1929 the average price of wheat was \$1.34 and the gross agricultural revenue \$139,000,000. In the six years ending 1935 the average price of wheat was 69 cents and the gross agricultural revenue \$63,000,000. Now, that may be a coincidence - it may not. I suggest that our prosperity is very intimately associated with the price that we receive for our chief agricultural commodity, wheat. It just happens that if you take the average for the years after the war and compare it with the price now you will see that with every one cent drop in the price of wheat it means practically a million dollars less in our gross agricultural income. That is submitted for what it is worth.

The other point, Mr. Chairman, has to do with the request that you made yesterday that we say something about the desirability or otherwise of having the three prairie provinces combined under one government. I have had only a few

minutes to give thought to that matter, but I am having brought together the position we took on that very subject five or six years ago. I refer to the statement we made at that time as to the position we took with regard to it. That position has not changed since. I am also bringing out the reaction on the part of the public. It will be time enough tomorrow to refer to it. I shall also produce some correspondence and statements from the press and other places as to how it was received.

Mr. Chairman, when we arose last evening we were dealing with the subject of the failure of the Federal government to take adequate steps to meet the drastic decline in agricultural income in recent years. This statement will be found on page twenty-seven of the brief. I have just pointed out that in the six years prior to 1936 we had received in gross agricultural income 2300 million dollars less than in the preceding six years; that is, for the three prairie provinces. I made some statement as to what this meant in relation to Canada's debt, the province's and to taxation in the provinces.

The brief goes on to state:

"In Manitoba, alone, the total gross agricultural income declined from \$790,375,000 in the earlier period to \$364,484,000 in the later one, a decline of 53.9 per cent, an average decline of over \$70,000,000 per year. Thus, in a relatively short period of time, in which there was no opportunity for adjustment to new conditions, the gross farm income of the west and of Manitoba was more than cut in two. We need not remind the Commission of the serious consequences this development brought to western Canada and to the province of Manitoba. If anyone is seeking the immediate cause of the difficulties of the West, he does not have to look beyond these figures.

This crisis fell upon western Canada almost overnight from causes mainly outside of the control of our people and our governments. It had a disastrous effect upon the chief basic industry which largely determines the measure of our prosperity. It directly affected the well being of one-quarter of Canada's population; indirectly, of a much larger proportion. We are of the opinion that the situation was of such national importance that it deserved, and should have received, much more favorable consideration from the national government. It was our view at the time and it still is our view that when the precipitous decline in the price of western Canada's chief product set in, the Dominion government should have taken constructive measures to prevent the collapse going as far as it did, rather than to let the collapse take place to the extent it did and then attempt to offset its effects by the costly and ineffectual methods used.

We hold this view for various reasons, chief among which is the fact that the necessary power and resources to meet a major economic crisis, such as we experienced in western Canada, lay not with the provincial governments, not with the people of Manitoba, but in part at least with the Dominion government. As citizens of Canada we had the right to expect, that insofar as the western crisis could have been ameliorated by the wise use of those powers which are definitely within the jurisdiction of the Federal government, a major effort would be made in the national interest as well as in our interest to meet it."

Mr. Chairman, you asked yesterday, when you were dealing with the question of the residual price that comes to the producers of export products in Canada how that problem might be approached. Of course, it is difficult to answer that, and it cannot be answered quickly. I am not attempting to answer it here, but in the next two pages there are some suggestions as to how other governments met it.

The brief continues:

"We have already shown that both the tariff and monetary policies of the Dominion government adversely affected western Canada. We submit now that whatever measures the Dominion government took on behalf of agriculture they do not stand comparison with the efforts other countries directed toward the restoration of their agriculture.

United Kingdom. - In 1932 the United Kingdom passed the British Wheat Act which established a standard price for home-grown English wheat equivalent to 45/- per quarter of 504 pounds, or approximately \$1.30 per bushel. Under this legislation, between 1932-33 and 1935-36 wheat producers in Great Britain were subsidized to the extent of over 125 million dollars, or over 30 million dollars per year.

Australia. - In Australia, in addition to pursuing national policies which substantially improved the economic position of Australian farmers, the Commonwealth government also grants subsidies to wheat growers. From 1931-32 to 1934-35 Australia thus distributed \$12,548,000, or over 60 million dollars -- an average of 15 million dollars per year to her producers.

Incidentally, it may be pointed out that in their recovery plan, that is in Australia, they cut interest rates on the internal debts of their governments by 22 1/2 per cent, cut all adjustable government expenditures by 20 per cent, cut industrial wages by 20 per cent, reduced mortgage rates of interest and bank rates of interest and put on heavier taxes.

Manitoba sought a similar approach to the Canadian problem but up to the present other counsels have prevailed."

What we wanted was for the provinces and the Dominion to get together and call upon the best brains of the nation to figure out how the burden of the depression could be more equitably carried.

Continuing with the brief:

In the meantime we did everything with our power that Australia did. We cut our government expenditures to the same degree as Australia. We cut all salaries over which we had control. We increased taxation. Mortgage rates of interest and bank interest were beyond our control. Interest adjustment on our governmental debt was not possible without default or repudiation. An interest adjustment on some reasonable basis is now long overdue and it is hoped this Commission will help find a way to its accomplishment.

In Argentina, our chief competitor, the government pursued liberal monetary policies based upon maintaining the value of the peso at a point where Argentine farm products could flow freely into international markets, and the Argentine producer secure a substantial measure of compensation for low international price levels,

in the price which he received for his grain in the Argentine. In addition, the Argentine government fixed minimum prices for wheat in 1933, 1934 and 1935.

During the six years from 1929-30 to 1934-35 domestic price levels in France, Germany and Italy have been maintained at a substantially higher level than obtained in the international market as evidenced by quotations at Liverpool. Accepting the difference between domestic prices in these countries and the world prices of wheat during these years, statistics show that wheat producers in France, in the six years from 1929-30 to 1934-35 were subsidized by over a billion dollars.

I am going to change the word "billion". A billion dollars is not nearly as much as one thousand million.

The brief will then read:

-- in the six years from 1929-30 to 1934-35 were subsidized by over one thousand million dollars, an average of 160 million dollars per year; wheat producers in Germany were subsidized by over 750 million dollars, an average of 125 million dollars per year; and wheat producers in Italy were subsidized by over a billion dollars, an average of some 160 million dollars per year. Scarcely a country in Europe has not taken action of some kind or other to relieve the burden of agricultural depression as it has arisen in the years following 1929-30.

In the United States, under the Agricultural Adjustment Act, some 300 million dollars were paid to wheat producers over a three-year period. In addition, the objective of the Agricultural

Adjustment Act was to restore the purchasing power of the farmer to the parity which existed in pre-war days, and the efforts of the government were directed toward that objective. In the United States, throughout the entire depression, the farmers of that country have had the full powers of the Federal government mobilized for their assistance in one form or another."

The policy of the United States Government has quite a bearing on the question which was raised yesterday. In the years following 1929 the average incomes in the United States dropped to about 70 per cent of the pre war average. The income of people engaged in the agricultural industry dropped to about 40 per cent. The effort of the United States Government under Mr. Roosevelt in the last five years has been to try to re-establish the relationship of the incomes of the people in the agricultural industry to other incomes on the basis of what they were before the war. There has been some criticism of the methods used. There can scarcely be any criticism of the purpose that was sought to be achieved. It just illustrates the very great difficulty to accomplish what society must aim to try to accomplish. Mr. Roosevelt partly accomplished it, as Dr. Upgren said a couple of days ago. He raised the agricultural income to a little more than half of the average of other incomes. That was the purpose of the agricultural adjustment policy. However much we may not like some features of the policy --

THE CHAIRMAN: It is difficult to say how much is attributable to national legislation and how much is attributable to the diminishing world wheat surplus. So far as wheat is concerned, the reduction of the world's surplus was of great importance in the matter of price last year. It is difficult to apportion between the two.

HON. MR. BRACKEN: : Quite; but I am pointing out what others did to try to bring about somewhat of a parity of conditions between agriculture and other incomes, which was not done in Canada.

THE CHAIRMAN: You may be quite right, Mr. Bracken, but the impression I had was that Germany and Italy and France for other reasons, but Germany in particular, imposed a heavy duty to prevent imports of wheat in order that both countries might be more self-contained in the event of war. They did not wish to find themselves in the position they were in in the last war. It was a national policy quite as much as an economic policy.

HON. MR. BRACKEN: Yes, for that reason, Mr. Chairman, and for one other. They disliked low price wheat coming into their country and prejudicing the livelihood of their agricultural people. The brief continues:

"Agricultural assistance was forthcoming in almost every country in the world, the common objectives being, first, to recognize that depression weighed heavily on agriculture, and secondly, to do something to alleviate the distressed conditions in that industry which followed the collapse of 1929-1930.

Canada's Efforts. - Let us consider for a moment what Canada did to assist the agricultural producers. One bonus was paid to wheat producers in western Canada; in 1931 a bonus of 5 cents per bushel was paid on that portion of the 1931 crop which was marketed. This subsidy totalled \$12,734,689.00. The bonus was discontinued thereafter.

Canada also attempted to assist agriculture by the stabilizing operations conducted by the

Dominion government through the agency of Canadian Co-operative Wheat Producers Limited. While the final result of these operations has not been made public, there is every indication that the actual cash contribution of the Federal government in connection with stabilization operations will be negligible.

Mr. Chairman, in this presentation there is one omission I wish to point out and mention here. That is, the action of the Dominion Government in 1935 in appointing the Wheat Board which provided for a minimum initial payment on the crop of that and subsequent years, if it was the desire to use it. The brief continues:

Canada also undertook certain expenditures in connection with drought relief matters. These expenditures, of course, were not associated with those factors which caused the low prices experienced during the depression, but rather with climatic misfortunes which affected certain areas in western Canada. They were made to relieve distress rather than to put agriculture in the same relative position as other industries.

Dominion moneys were also spent in western Canada as in other parts of Canada for unemployment relief -- moneys spent to offset the effects of unfavourable policies or the lack of favourable ones. These moneys to the extent given were fully appreciated but it is important to remember that they were not spent as part of a rational scheme to restore a balance in the national economy, but rather to buy food and groceries to keep from starvation those who were unemployed, many being so, solely because that balance had not been restored.

When these measures for the relief of agriculture, as an industry, as distinguished from those for human relief, are compared with the assistance which other countries have given to their wheat producers during the depression, we can reach no other conclusion than that agriculture is Canada's forgotten industry."

Mr. Chairman, that is no idle statement.

THE CHAIRMAN: I beg your pardon, Mr. Bracken. I just made the observation that the criticism of the federal government policy is principally for the years 1930 to 1935, at which time the head of the government of Canada was a Western man who understood Western conditions and conditions of agriculture everywhere. Whatever one might say as to the policies, I am sure he was deeply concerned with the welfare of agriculture not only of western Canada but of all the provinces and did what he thought was in the best interests of the whole country.

HON. MR. BRACKEN: I agree with that 100 per cent, Mr. Chairman. During all of these years we had a good deal to do with the government of the day, and I can subscribe to everything you have said. Mr. Chairman, I am not seeking now to criticize the purposes any man had in view; I am seeking to point out that the policies that actually were followed, even with the best intentions in the world - and I can subscribe to that statement - have not brought about the results that were achieved in other places, but have brought about the results that we have experienced here in western Canada.

THE CHAIRMAN: I was remarking that the condition which prevailed at that time was not wholly due to government policy. You say the measures adopted were inadequate. But I cannot believe that the Government of Canada during that period was not deeply concerned about agriculture,

and not deeply anxious to improve conditions. It was only in that sense I mentioned it.

MR. BRACKEN: My statements had no reference to any individual or to any government. The actual result has been that Canada's export agricultural industry during the last six or seven years has had less assistance from the central government than has any other in the world. The brief continues:

"On balance we have suffered far more from the tariff and monetary policies pursued by the Dominion than we have benefited by all the financial contributions which we made to assist us. Moreover, when these contributions are compared with the disabilities which were created as a result of unfavourable Dominion policies, we can reach no other conclusion than that, aside from the relief and rehabilitation plans, the part so far played by the Dominion government, in respect to the agricultural depression in western Canada, has been a definitely negative one."

I say that, Mr. Chairman, not to criticize what has been done in the past, but to bring to the attention of the nation what has actually been the result; so that in the future this industry may receive somewhat different treatment from what it has had in the past.

THE CHAIRMAN: We hope on that point the Royal Commission on wheat marketing will give you some help.

HON. MR. BRACKEN: Yes, Mr. Chairman, I am sure I do not need to repeat that we are bringing this up only in order that in the future we may try to guide ourselves in a better direction; that is all.

THE CHAIRMAN: I hope you are not thinking that I am criticizing you at all for presenting these considerations; I am not. But I thought, when speaking of the five years

from 1930 to 1935 the impression might be created that the government of Canada, with a prime minister from the West at the head of it, was not deeply concerned with these problems. I feel sure it was. The result may be as you state. I am not expressing any opinion on it.

HON. MR. BRACKEN: The fact that a particular government came into power just after the depression has had our consideration. This government, in presenting its brief, had to consider whether we should refuse to deal with that situation, because of a possible misunderstanding through our dealing with it, or to deal with it. We felt it was in the interests of the public that we deal with it, even though there may be those who will misinterpret the motive.

I shall now continue with the disabilities arising from certain inherent conditions. Our purpose in presenting some of these factors is that the Commission and the public of Canada may more fully appreciate the situation in western Canada. We have every confidence that this Commission thoroughly understands the economic conditions in every section of Canada we shall be wholly satisfied with the findings of the Commission. It is only with a view to helping you better to understand what western agriculture is up against that some of these things are mentioned.

"We have discussed certain disabilities arising from the set-up of the federal system, certain others arising from unfavourable federal policies and still others arising from certain extraneous factors. We wish now to indicate to you certain disabilities arising from conditions that are inherent in this part of the Dominion. The disabilities we shall discuss under this heading are:

- A. Climatic limitations;
- B. Wide fluctuation in agricultural production;
- C. Dependence upon foreign markets;
- D. Wide variability of income.

The first and second of these cannot be altered, either favourable or otherwise, by recommendations of this Commission. They are presented here not in the hope that this Commission or the Dominion government can do anything to change them, but rather for the reason that their effect upon our economy must be appreciated by Canadians if Canada is to be expected to adopt policies that will be in the interests both of Canada as a whole and at the same time in the interests of this portion of Canada.

It has already been pointed out that the annual wealth production of Manitoba and of the three prairie provinces is largely dependent upon the success of agriculture, all other primary industries producing a very small percentage of the total with secondary industries in an intermediate position."

May I interject here, Mr. Chairman, to say that in a certain area of western Canada in a certain five year period the annual production of wheat was 129,000,000 bushels per year. In the same area, in another period, it was 62,000,000 bushels per year, and last year it was nothing. The cause was the climatic conditions that obtained.

Continuing the brief:

"In agriculture, as contrasted with the secondary industries, the value of the wealth produced is determined by yield and price. We wish here to discuss only the question of yield as it is affected by climate."

The point I want the Commission to get out of this discussion in the next five minutes is that because of wide fluc-

tuations in the climatic conditions of western Canada, our annual returns are going to vary somewhat. Once in a while they will be high; at other times they will be very low, and occasionally they will approach the normal.

The brief continues:

Factors Affecting Yield. - The yield per acre or volume of production in agriculture depends upon the relationship of several factors chief among which are the soil, the climate, the suitability of the crops grown and the efficiency of the farming practices followed. In most agricultural countries of the world the soil factor is the first and most important one in agricultural production. In western Canada, on the contrary, some climatic condition is often the first limiting factor in crop production. This fact has only recently come home to the people of Canada. It is not suggested that fertile soils are not desirable in a dry country, neither is it suggested that good crops can be obtained under favourable climatic conditions on inferior soils. The fact is that fertile soils are the best soils both in humid and in semi arid climates. But what we wish to make clear is that the first limiting factor in our wealth production in western Canadian agriculture is generally not our soil but our climate. While a fertile soil will produce more than an infertile one in dry years as well as in wet years, yet the most fertile soil in the world will not produce a crop without a large supply of water, neither will it produce paying returns if the crop it produces is destroyed or seriously damaged by low temperatures.

A large proportion of the land between Winnipeg and the Rocky Mountains is rich in the essential elements of plant food, but even the best of this land will not produce paying crops when the rainfall is less than 10 or 12 inches per year, or when killing frosts occur before the crops mature. The climatic limitations on the volume and quality of our production is but little understood and even less appreciated by the general public. It is nevertheless a major factor in our economy as is being driven home to us by the "drought" and "dust bowls" of recent years.

Precipitation a Limiting Factor. - It may be asked what are the factors of climate that so affect the production of wealth on western Canadian farms. While a full answer to this question need not here be given, it should be more generally understood that precipitation, or to use the more popular term rainfall, is the chief limiting factor. In some years, particularly along the northern fringe of settlement, low temperature is the chief limiting factor.

To illustrate this point let me give three examples. In the year 1928 the three prairie provinces produced 546 million bushels of wheat; in the year 1937 they produced approximately 164 million bushels. In the province of Saskatchewan the respective yields were 321 million bushels for 1928 and 35 million bushels for 1937. In 1915 many farms produced more than 50 bushels per acre, which in 1937 produced nothing per acre. These results measure the difference between relatively favourable climatic conditions and extremely

unfavourable climatic conditions. They illustrate what may from time to time be expected in the drier parts of any climatic zone where the average precipitation is not far above the minimum requirements of a good crop, and where wide extremes from the average frequently occur."

A factor in the western climate is that there are departures from what we speak of as an average precipitation or an average length of the growing season. The brief continues:

A few brief statements of fact with respect to precipitation will help to make clear the bearing of this factor upon western Canadian agriculture. The basic biological facts are that plants cannot grow without water and that in their growth tremendous amounts of water are necessary. The amount required varies under different conditions, but ordinarily more than half a ton of water is necessary to produce a pound of wheat. Unfortunately the amount that falls in western Canada is relatively small. It is smaller in some parts than in others. It is very small in some years and in some groups of years, and it falls at untimely seasons in occasional years, and what does fall is subject to uneven loss through evaporation, run-off, the growth of weeds and unsuitable tillage.

The chief points to be noted are:

- (1) That while most successful agricultural regions of the world have a precipitation of from 20 to 50 inches per year, the whole of the prairie provinces have less than the smaller of these figures

It is not quite true to say "the whole of the prairie provinces". Along the eastern boundary of Manitoba we

have more than twenty inches; in some parts of the foothills of Alberta they have a little more than twenty inches. The brief continues:

- (2) That the average precipitation is the highest in the eastern sections of the prairies and along the foothills of the Rocky Mountains and that it is lowest in the vicinity of the Saskatchewan-Alberta boundary line, ranging from 20 to 22 inches at Winnipeg to around 10 to 12 inches in the driest portion of southwestern Saskatchewan and southeastern Alberta, and up to 18 and 20 inches or more in the western sections of Alberta near the foothills;
- (3) That while the above figures give approximately the averages there are wide departures from the average, and that while a section of southeastern Alberta and southwestern Saskatchewan may have an average rainfall of less than 12 inches, in some years there may be less than half that amount and in occasional years 50 per cent more. In the years of heavy precipitation good crops generally result; in years of less than average precipitation in these dry sections crop failure is almost inevitable;
- (4) That not only do single years occur when the precipitation is below the average, but sometimes a series of years occurs in which each year is below the average. In the latter case results like those of the last half dozen "drought" years appear;

- (5) That not only are there single dry years and groups of dry years, but in some years the precipitation comes at a season of the year when it is least useful for purposes of crop production. Normally, the heavy rainfall comes during the growing season of cereal crops. In fact, were it otherwise the total precipitation that falls in western Canada would not be sufficient to produce paying crops and there would be no agriculture as we know it on the western plains. But while a favourable distribution of rainfall within the growing season is the normal condition, yet occasionally there are departures from this normal, in which case lessened production occurs.

I might take a moment to state that if I had a chart it would show the rainfall in January to be very low - I mean precipitation, whether in the form of rainfall or snow. It would show that the precipitation in February would be low, March only a little bit higher, April a little bit higher, going up in June to a high point, perhaps reaching around three inches, then dropping off again to the fall. That favorable seasonal distribution of precipitation is what has made possible for western Canada to carry on agriculture successfully; whereas if it were evenly distributed throughout the whole year probably agriculture as we know it would never have developed. When there are departures from that condition, then, of course, our production is lessened.

THE CHAIRMAN: An important factor also is the rainfall in the autumn.

HON. MR. BRACKEN: Yes. Rains that fall in the autumn, if they fall late enough and not used up by

growing vegetation will be there in the spring. That surplus from the previous year, together with the rains that fall in the spring, gives an added insurance against shortage the following year. As a matter of fact, crop failure in Saskatchewan this year was partly due to the fact a year ago now the soil was drier as a whole than it had ever been before.

THE CHAIRMAN: That was the impression I had. I had the impression that late autumn precipitation was a very important factor in a crop.

HON. MR. BRACKEN: Yes.

I continue with the brief.

"From these statements of fact as to the precipitation in the three prairie provinces, from the figures given showing the extremes in yield due to variability in climatic conditions, and from the fact that man is practically helpless insofar as increasing the amount of precipitation is concerned, it will be realized how important a factor climate is and always will be in our western economy.

The point for this Commission and for the people of Canada to realize is that in the occasional years when these unfavourable conditions do come in areas of any considerable size for more than a short period, partial or complete crop failure may result in which case not even a minimum of public service can be provided by the areas so affected. It is thus apparent that to the extent to which we place responsibilities upon small units of government in such areas, to that extent will public services fail in times of unfavourable extremes of climate; and to the extent that the stronger central government assumes responsibility for a minimum of public services

to that extent only will public services be assured to all areas in time of drought or other misfortune.

It is not our purpose in this presentation to burden the Commission with a detailed analysis of all the factors of climate as they affect agriculture. It is our purpose, rather, to make clear to the members that due to climatic limitations, western Canada has a disability of a character very different from other parts of Canada and one which is deserving of consideration by the Canadian people when they are determining the kind of set up they will provide for the maintenance of public services throughout the nation."

Thus far in this section on climatic limitations we have dealt only with the precipitation factor."

This brings me to the temperature factor and to the point you raised yesterday, Mr. Chairman; namely the development of subsistence for mixed farming. You will see the point in that later on.

We say in the brief:

"Another limiting factor is low temperatures. The short period between the last destructive spring frosts and the first killing autumn frosts is another limiting factor, one which limits the choice of crops within relatively narrow confines."

In this connection in the last twenty years science has come to the aid of western agriculture through the breeding of early maturing crops, and that hazard has been very greatly lessened as a result of the contribution by science. In the year 1907 a large part of the western Canadian crop was frozen. Low temperature destroyed it before the crop ripened. We say in the brief:

"A major temperature factor, however, is the long winter period, the chief effect of which, from the economic point of view, is to raise the cost of production in this areas as compared with more southerly climates."

I am referring now to other lines of agricultural enterprises which need growing that must take place in the winter. The brief states that:

"Our long winter not only increases the cost of housing, the cost of clothing and the cost of buildings, but it increases the cost of livestock production beyond that of many more southern areas. These factors,,all of which increase not only the cost of living but the cost of production, constitute a handicap on this part of Canada in its competition with producers in less rigorous climates. The net result is that we are handicapped in building up our livestock industry into one of major proportions since we find it difficult to compete successfully with New Zealand in the dairy industry, with Argentina in the cattle industry, or with Australia in the sheep industry."

THE CHAIRMAN: Are you speaking of Manitoba only, in that regard, or are you speaking of the three prairie provinces?

HON. MR. BRACKEN: I am speaking of Manitoba, but it applies to the three.

THE CHAIRMAN: I though in Alberta they were able , notwithstanding climatic conditions, to build up a large cattle industry.

HON. MR. BRACKEN: Yes, they were, when land prices were much less than they are today; and as Dr. Grant points out, that was not finished stock, that was range stock. The brief continues:

"We must, therefore, in many parts develop these lines as subsidiaries to the thing we can do better. We are thus forced to place our chief reliance upon wheat production with its hazards and its high costs, some of which are replaced upon it by national policies, and all of which tend to drive good land into marginal land and marginal land into the submarginal class."

That means, Mr. Chairman, when Canada exceeds the production of these things needed for home consumption we are competing in the markets of the world with competitors who have not some of the handicaps that we have, and it is not likely that we are going to be able to compete successfully with them in a major way in many lines. We say in the brief:

"In case these comments on climate may leave an erroneous impression, let me say that they are presented not to give a complete picture of our climate but only as illustrative of the limitations it places upon agriculture, including the wide variability of returns in different years. It is not to be assumed that there are no advantages from our climate. Quite the opposite is true. It is the low precipitation in the harvest season and the relatively high temperature at that time that make possible our high quality wheat."

If these two conditions were reversed our wheat probably would not be any different from wheat grown in a humid area or a longer season climate.

The brief continues.

"A climate with a heavier rainfall and a lower temperature at that period would give a lower quality wheat. The fact is the climate except in its departures from normal and its low

precipitation in the drier parts of the country, is admirably adapted to the production of wheat of a high quality and to many other annual crops. The relatively dry seeding and harvesting periods, and the relatively heavy precipitation in the growing season between, provides a combination which is most desirable from the point of view of the successful production of high quality cereals.

The Commissioner from British Columbia would appreciate this distribution of precipitation when he remembers in British Columbia quite the reverse of the seasonal distribution of precipitation in the prairie provinces occurs. In the month of January the precipitation there is very high; in the summer it is very low, and in the winter it is very high. If we had that here there would be no agriculture at all except range.

THE CHAIRMAN: We shall adjourn until 2.30.

The Commission adjourned at 1.00 p.m.

(Page 648 follows)

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

HON. MR. BRACKEN: Mr. Chairman, when we rose for lunch I had just concluded a discussion of climatic conditions as one of the inherent disabilities of agriculture in this part of the world. I omitted one sentence towards the end, which I should like to read. After referring to the handicaps of the live stock industry in a northern climate such as ours, I want to say this:

"We must, therefore, in many parts develop these lines--

That is, mixed farming and live stock:

"--as subsidiaries to the thing we can do better. We are thus forced to place our chief reliance upon wheat production with its hazards and its high costs, some of which are placed upon it by national policies, and all of which tend to drive good land into marginal land and marginal land into the submarginal class.

THE CHAIRMAN: Mr. Bracken, what do you describe as marginal lands?

HON. MR. BRACKEN: It is on the border line between submarginal and other land where agriculture can be profitably followed.

THE CHAIRMAN: Submarginal is below what you consider good agricultural land?

HON. MR. BRACKEN: Yes, below what a man can live on and maintain himself and his community enterprises, schools and so forth. All I meant by that sentence was that the greater the burden we put on, the more people we drive into the marginal and submarginal classes. That applies to the tariff and any other tax.

THE CHAIRMAN: How does the tax burden affect the

quality of the soil?

HON. MR. BRACKEN: It does not affect the quality of the soil, but it affects the costs of the man's operations, and if his revenues are very small, we may put such an additional burden on him that he cannot maintain himself. As I pointed out the other day, that has already been done in some of our drainage districts, lands that were perhaps close to the marginal line, just close enough to the line that when the land tax burden came along on top of the municipal tax burden it was more than they could stand and they were moving away: but in order to give them a chance to try to live on these lands the province took over the debt and relieved them of part or all of that tax, hoping that some of them might find it possible to stay on that land.

THE CHAIRMAN: Thank you.

HON. MR. BRACKEN: The next inheront disability is:

B.--WIDE FLUCTUATION OF AGRICULTURAL PRODUCTION.

"As an evidence of the wide variability of production in agriculture, we may recall to you that in 1928 the prairie provinces produced 545 million bushels of wheat, whereas in the year now just past, 1937, they produced but 164 millions."

As a matter of fact I believe the figures are now estimated to be somewhat less than that:

"Illustrating the same point, Manitoba in the year 1922 produced 60 million bushels, but in 1935 produced only 22½ millions."

THE CHAIRMAN: What was your production this year?

HON. MR. BRACKEN: About 50 millions. Speaking of this year, Mr. Chairman, naturally we are very glad to have a year like this, but lest the Commission or anybody else

should form any wrong impressions from that, let me say that the precipitation up to the end of the main part of the growing season for wheat varied anywhere from 15 to 100 per cent higher than the average, and that, fitting in with other favourable conditions, gave us a yield of a little bit over 18 bushels which is considerably over our average. So whatever conclusions you draw, do not draw the conclusion that we are always going to have conditions as good as this year.

THE CHAIRMAN: There is no danger of my drawing that conclusion, Mr. Bracken, because I have been out here ten years, and I have a knowledge of the conditions that prevail here and have prevailed here for the last 35 years in agriculture.

HON. MR. BRACKEN: I hope, that neither you, Mr. Chairman, nor your associates will feel that we had any notion that most of you were not thoroughly conversant with conditions in the west, but the government of Manitoba feels that not only should your Commission understand the conditions out here, but before your recommendations, whatever they may be, come before the people of Canada, the conditions here should be known to the whole country.

THE CHAIRMAN: Quite so, and it is important that they should be laid before us, Mr. Bracken.

HON. MR. BRACKEN: I continue now at page 35:

"These total figures hide many greater extremes for local areas, and the statistics for local areas show even greater extremes for individual farms. It is estimated that the four crop districts in the drought area of Saskatchewan produced 604 million bushels of wheat in the five years prior to 1930, but in the following five years they produced only 308 million
(Page 650 follows)

and in 1937, they produced practically nothing. As an example, within the areas just now referred to there are individual farms which have produced 50 bushels per acre in one season but which have not produced that much from the same unit of land in the total of the last seven years.

From these facts, illustrating the wide fluctuation of production in agriculture, it will be at once apparent that our annual wealth production is subject to wide variations.

These and other statements are not presented to this Commission with any idea that it will recommend to the Dominion government that western agriculture can, or will be saved by the national government underwriting an uneconomic industry. On the contrary, western agriculture seeks no handout from the nation. Bonusing agriculture in areas where it is uneconomic would

be the most fatal mistake the nation could make."

I think, Mr. Chairman, we have done too much of that already. As a matter of fact, some of us think that the extension of agriculture to some of these more or less doubtful areas not only invites difficulties for these communities and for the nation itself in bad years, but that in good years also it is something of a menace, for the very reason that once in a while a combination of circumstances will result in a crop like that of 1928, and I am quite sure you appreciate that a good many people blame that large crop, or the surplus we had from it, for the contribution it made towards depressing prices in subsequent years. Continuing with the brief:

"The sooner the boundaries of such areas are determined and the regions within these bounda-

ries relegated to the purposes for which they are suitable, the better for all concerned.

All that western Canada seeks is equitable treatment and some measure of assurance that if it continues production through periods of depression, to the great benefit of the nation as a whole, it may at least expect that a minimum standard of public services shall be provided at all times, but particularly in these periods of stress.

C.--Dependence Upon Foreign Markets.

For the purpose of the present discussion the term "foreign markets" includes all markets outside of Canada.

Since Confederation, western Canada has increased its production of wheat from practically nothing to 545 million bushels in the best year (1928), and to an average for the ten-year period prior to 1930 of approximately 360 million bushels.

Since Confederation, western Canada has increased its exports of wheat from nothing to 408 million bushels in its biggest year, 1928-29, and to an average of 270 million bushels in the ten years prior to 1930."

That is the point I want emphasized. Continuing:

" Out of a normal production of 360 million bushels in western Canada only 90 million bushels are required to fill the needs of all of Canada."

That ninety million bushels is ninety million bushels out of our western crop. Some eastern wheat is used as well. I understand that altogether 100 million bushels is required. But out of our crop we supply 90 million bushels, or one-quarter of our production. I continue now at the

top of page 36:

"From these figures it will be seen that since Manitoba entered Confederation, western Canada had developed as a wheat-growing area to the position where for three-quarters of its production , it is entirely dependent upon outside nations for a market. In the light of a position as vulnerable as this, the Canadian nation has a heavy responsibility resting on its shoulders to see that foreign nations have no just cause for refusing to take Canadian wheat. Let us note for a moment how great that responsibility is.

A Great Natural Industry.--

In exports of grain and grain products alone in the past 20 years western Canada has brought nearly seven thousand million dollars in new wealth to Canada, an amount equal to more than twice the national debt of this country. In spite of the climatic reverses of recent years a similar contribution to Canadian prosperity during the future is more than probable if unfavourable national policies do not intervene.

No other industry in Canada can approach the wheat industry of the prairie provinces as a national asset if it is not hampered by the state itself. The simple fact is that the wheat industry has played a major part in Canadian development and is still one of paramount national importance to Canada.

Western Canada is a great wheat producing area because its land is ~~suitable~~ to extensive farming:--"

As I said a few moments ago, it does not offer great promise as a place for developing ^{an} export industry in connection with livestock, but western Canada is a great producing area:

"--because its land, in conjunction with its climate, produces the highest quality of wheat in the world, and because it has developed the world's most efficient grain-handling system. Wheat production is for us a natural industry, the thing which we are best equipped to do.

Our welfare is directly related to our ability to sell wheat abroad and to meet all competition in the world's market. Since Canada, as has been pointed out, requires but one-quarter of its average annual production for home use, three-quarters of its normal wheat production must find a market abroad. We are thus in a most exposed and vulnerable position. If the Canadian nation should, for any reason, fail to secure and maintain adequate markets overseas a price collapse must be the inevitable consequence.

One of our main difficulties in the past has arisen for the reason that federal fiscal and monetary policies have stood between us and our ultimate markets abroad. In connection with the question of markets we put this question to the Commission and to the Canadian people: "How can our great cereal industry, and other primary industries of Canada, be expected to maintain and increase their sales in foreign markets under a tariff policy designed, not for a great primary producing country with

large surpluses of wheat, forest products, cattle, fish, minerals and furs, to sell abroad, but designed primarily to promote industrial production within the Dominion."

I go now to the bottom of page 37:

D.--WIDE VARIABILITY OF INCOME AND ITS EFFECTS.

Canadian Prosperity Dependent upon Export Markets.--One of the outstanding characteristics of the Canadian economy is its dependence upon the prosperity of the primary industries of agriculture, forestry, mining, fishing and furs. The prosperity of these industries in turn is dependent upon the price levels in the export markets of the world.

The state in Canada cannot, of course, control the fluctuations of the export price level. It should, however, be emphasized in passing that the state can and should translate that export price level into as high a level as possible in terms of Canadian currency, and that it should also take all possible steps to keep production costs down to a point which will permit Canadian activities to function upon existing export price levels whatever they may be."

COMMISSIONER ANGUS: Are you suggesting there that as a policy there should be currency management and depreciation of the Canadian dollar ?

HON. MR. BRACKEN: No, that is not what is intended, Mr. Commissioner.

COMMISSIONER ANGUS: What struck me was that you were suggesting that the state translate the export price level into as high a level as possible in terms of Can-

adian currency, and I was wondering whether you considered that there was any immediate necessity for that?

HON. MR. BRACKEN: No. As a matter of fact, Mr. Commissioner, I do not mind if you consider that particular sentence as not being there; it has crept in without thought. All we have ever meant to say in connection with a currency policy is that under conditions where you have an extreme decline the state should give consideration to bringing about more of a parity in prices as between agriculture and industry. I am quite content for you to consider that sentence as not being there. But the latter part of that sentence is very important: We should 'take all possible steps to keep production costs down to a point which will permit Canadian activities to function upon existing export price levels, whatever they may be.'

I continue reading from the brief:

"Export markets cannot be secured or maintained except by appropriate trade policies of the nation.

It would seem perfectly clear that the great natural resources of Canada are of service in increasing our national wealth and standards of living only to the extent that they can be cheaply transformed into goods which can be competitively sold in the world markets. The large exportable surpluses of grain, cattle, timber products, metals, fish and furs which we in Canada produce over and above what we need ourselves, are of no value whatever to us unless they can be sold competitively in the world markets at a profit to the primary producer in terms of Canadian currency."

I will pass over the rest under this heading as rapidly as possible because we have had some discussion of it already:

"Export Markets Subject to Wide Fluctuation in Price Levels.--As a measure of the variability of income in agriculture in western Canada, we may cite the wide divergence in price for No.1 Northern wheat at Fort William during the period since the war. The average yearly price range in this period was from \$1.68 per bushel in 1924-5 to 54 cents per bushel in 1932-33. Not only do average yearly prices vary widely, but the prices within even one year often fluctuate widely. In the calendar year 1936, the average monthly price varied from a low of 77 cents in May to a high of \$1.20 in December.

These variations in price coupled with the variation in yields resulting from climatic and other causes, have produced wide variations in income, illustrated, for example, by the fact that the gross value of agricultural production in the prairie provinces in 1927 was \$859,724,000, while in 1931 it was but \$291,666,000

In Manitoba the gross value of agricultural production in 1919 was \$214,248,000, while in 1931 it was but \$49,695,000."

From this point on the brief shows how income has declined in Manitoba and the west more than the average decline for Canada, and declined more in agriculture than in other industries, and it shows the burden of our present taxes and debt service falling upon a smaller income. Having said that, I will pass over the next paragraph, as rapidly as possible:

The Decline in Income in Manitoba and the West.-- While in Manitoba the fluctuations in income in the agricultural industry are much more pronounced than in any other industry, it is nevertheless noteworthy that the net value of all production, including of course, agricultural, also fluctuates widely. It was, for example, \$225,182,168, in 1928 while in the year 1933 it was but \$98,801,770. Complete figures as to the variability in Manitoba's income for the whole period relevant to this inquiry are to be found in the Appendices of part V of this brief.

Some of the significant facts there shown are:

- (1) Since 1926 the national income of Canada declined from 5,800 millions to 3,800 millions, or by 34 per cent;
- (2) During the same period the total income from primary and secondary sources in Manitoba declined much faster, or from 348 millions in 1926 to 172 millions in 1935, a decline not of 34 per cent but of 50 per cent;
- (3) During this period the total value of agricultural production in Canada fell much more rapidly than did that of any other primary or secondary industry. For example, it fell from 1,400 million in 1926 to 623 millions in 1935, or by 56 per cent. On the other hand, the total value of production from manufacturing decreased from 1,200 millions in 1926 to only 950 millions in 1935, or by only 21 per cent;
- (4) During the period in which the total value of Canadian agricultural production declined so

much faster than that of other industries, the net value of agricultural production in Manitoba declined to a much lower point than the average for Canada. For example, during the period when the total value of Canadian agricultural production dropped from 1,400 millions to 623 millions, or by 56 per cent, the net value of Manitoba's agricultural production dropped from 120 millions to 35 millions, or by 71 per cent;

- (5) A very significant result of the low income in Manitoba (and Saskatchewan) is that while the per capita taxation (in 1933) was but \$1.00 per year more than the average for Canada, it required 14 per cent of our smaller income to raise the tax revenue necessary to provide for the public services that were provided throughout the rest of Canada by taxation that required only 10 per cent of their incomes. To put it another way, the burden of taxation necessary to provide public services here was, when measured in the terms of our lower income, 40 per cent heavier than the average for the rest of Canada. Similarly, the burden of fixed interest charges on debt becomes increasingly heavier as incomes decline--a decline of one-third in income increases the burden of such fixed charges by 50 per cent.

Thus the decline in income, together with the wide variability of the income of citizens of Manitoba, has had effects, the ramifications of which extend throughout the whole economic and financial sphere, both public and private. It is out of income that the citizen pays taxes,

" debt charges and provides his livelihood. If, as his income declines, his debt charges either remain constant or increase, then he will have that much less money with which to pay taxes and provide his livelihood. Taxes and debt service are the two most important fixed charges upon the income of the citizen. The extent of the amount required for debt service, therefore, is a matter of vital concern not only to the individual citizen, but by its effects upon taxable capacity, to the state as well. In the province of Manitoba the problem of private debt, therefore, has a direct bearing upon the matters under consideration before this Commission and warrant our examining it at this point.

Effect of Declining Income on the Burden of Private Debt.--In Manitoba the problem of private debt, like that of public debt, has been greatly intensified by the decline in the provincial income resulting from six successive years of relative crop failures at a time of low world prices for agricultural products. The accumulative effect of these disasters has left Manitoba and its citizens in a position which makes basic adjustments of both public and private debt essential if financial stability is to be maintained either for the province or for the individual.

Here we attempt to show something of what the debt situation is:

"By compiling statistics furnished by the Dominion Bureau of Statistics, the Mortgage Loans Association, the Canadian Farm Loan Board and

"the Manitoba Farm Loans Association, we are able to present a summary of the private debt situation in Manitoba.

Total Farm Indebtedness

Secured on farm land	\$69,553,158.06
Secured on chattel or unsecured	<u>23,184,386.00</u>
	\$92,737,544.00

Total Urban Indebtedness

secured on land	67,849,575.00
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Tax Arrears, Urban and Rural

As of municipal year end 1936	14,696,278.00
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Tax Sales Certificates Urban and Rural

As of July 1, 1937	<u>18,961,375.00</u>
	\$1,94,244,772.00

The method of computation of the above table is indicated in the footnote below."

That footnote appears on page 40 of the brief, and I shall not take time to read it now. Continuing:

"It has been found impossible to estimate satisfactorily the amount of urban private debt secured upon chattels, or unsecured; hence this item is not shown in the table. In addition to the foregoing, municipal corporations hold tax titles representing tax arrears to the amount of \$16,359,757.92, of which amount rural municipalities hold \$2,491,184.65. The arrears represented by these tax titles do not indicate present debt, but rather past debt which was so incapable of payment that the municipalities were forced to take over the land against which it was charged.

When a farmer borrows under a long term mortgage, or buys under a long term agreement

for sale, the only basis upon which the fixed charges thus created upon his future income can be paid is that his future income shall remain within a reasonable margin of variation from the amount at which it stood when the mortgage or agreement for sale was made by him. When the debtor's income falls below that reasonable margin, then the mortgage or agreement becomes incapable of performance either partially or wholly quite irrespective of the honest intentions of the debtor. The secured debt then becomes a depressive debt and hampers the debtor in all of his business dealings and thereby limits seriously not only his own taxable capacity but that of all with whom he deals. Moreover, if the income remains greatly inadequate for a long period of time, the deferred debt becomes so depressive that the debtor's financial position is seriously and in some cases permanently impaired, and his morale as a producer and citizen shattered.

Thus the vital factor affecting debt of any type, public or private, is ability to pay. This ability on the part of the residents of this or any other provinces can only be measured in terms of provincial income. The situation in Manitoba is best indicated by reference to the following table:"

The table is set out at the top of page 42, and you will observe that our income in 1925 was in round figures \$348 million; it increased to \$395 million in 1928, and then dropped steadily down in the six years prior to 1935, in which year it stood at approximately \$170,000,000.

THE CHAIRMAN: I think that somewhere in your submission, further on, no doubt, you deal with the procedure for handling private debts, do you not ?

HON. MR. BRACKEN: Yes.

THE CHAIRMAN: Then I will leave my questions till later.

HON. MR. BRACKEN: On page 42 it is pointed out that the citizens of Manitoba have never secured a share of the national income proportionate to their share of the national population, but as that point has already been elaborated upon before the Commission, I shall not take time now except to say that at no time during the period from 1926 to 1935 did Manitoba secure its proportionate share of the total national income. Then we deal with the decline in Manitoba's income and show that it was greater than in most of the provinces. By reference to the table on page 42 it will be seen that starting with an index of income of 100 for 1926, the average from 1929 to 1935, was for Ontario 82.5; Quebec 80.2; Nova Scotia 73.5; British Columbia 71.8; Manitoba 58.8; and Saskatchewan 37.0.

THE CHAIRMAN: I assume that all these figures are on the basis that we discussed the other day, namely, that they do not include the subsistence which the farmer gets from his own farm?

HON. MR. BRACKEN: That is right.

THE CHAIRMAN: Of course, the larger the percentage of agricultural population that derives subsistence from the farm, the lower would be the income as compared with the industrial population where the whole income is reported.

HON. MR. BRACKEN: Yes, that is correct. But it is a rather large amount to make up.

THE CHAIRMAN: I do not know just how it would affect the figures. I just wanted to be sure that that was the basis on which you proceed.

HON. MR. BRACKEN: These figures are taken from the Dominion Bureau of Statistics.

THE CHAIRMAN: Quite.

HON. MR. BRACKEN: Then on page 43 we show that the decline in income was greater in agriculture than in other industries, and the table on the bottom of that page indicates that very clearly:

"The following are the index numbers of total net production in agriculture in Manitoba for the years from 1930 to 1935, inclusive, on the basis of 100 for 1926. It should be emphasized that total net production figures here used represent gross income from the standpoint of the farmer, out of which he has to pay, among other things, operating costs.

Year	Index Number
1926.....	100.00
1930.....	38.84
1931.....	23.47
1932.....	30.22
1933.....	33.83
1934.....	37.86
1935.....	29.17
1930 to 1935 Six-year Average..	32.23

It cannot be too strongly emphasized that every farmer has a certain operating cost which he must pay regardless of the amount of his income. It could not be said that the total net production in agriculture in 1926 gave the farmers in that year an operating profit of 66 $\frac{2}{3}$ per

"cent. If the farmer did not have an operating profit of 66 2/3 per cent, then, since his average gross income for all of the six-year period from 1930 to 1935 inclusive, was less than one-third of what it was in 1926, agriculture in Manitoba during the whole of this period must have shown a heavy operating loss even if debt charges, taxes and all other fixed charges were left unpaid and wholly out of account.

This has meant large scale default in municipal tax payments, drastic reductions in school district income, and harsh cuts in school teachers' salaries to approximately 50 per cent of what they were at their peak. It has meant widespread destitution and distress which has greatly increased the expenditures and municipalities, of provincial governments, and of the Federal government, for relief. This relief has had to be advanced not only to destitute farmers, but to all those workers in cities whose livelihood is directly or indirectly drawn from goods sold and services rendered to farmers."

While on the farms of Manitoba there has been very little of what we speak of as unemployment, there is no question but that agricultural conditions during the last six years have meant that farmers have hired fewer men, and consequently men have drifted to the urban centres and have had to accept relief. Continuing:

"Greater Winnipeg has about one-third of the population of Manitoba. It is a distributing, manufacturing, banking, grain and cattle trade centre. As such, Greater Winnipeg is as much interested in agricultural production in Saskatchewan, and to a lesser extent in Alberta, as

"in Manitoba!"

It may be that this City should be prosperous this year in view of better conditions in the agricultural areas of Manitoba, but a good many business men are not finding that these more favourable conditions are reflecting themselves in business in the city of Winnipeg. Continuing:

"Bearing this in mind, let us look at the declines in value by years as shown in the following table of net value of agricultural production:"

The Table is set out at the bottom of page 44 and shows that the value of Manitoba's net agriculture production dropped from \$120,000,000 in 1926 to \$35,000,000 in 1935; Saskatchewan dropped from \$316,000,000 in 1926 to \$107,000,000 in 1935, and Alberta from \$220,000,000 in 1926 to \$97,000,000 in 1935.

THE CHAIRMAN: Have you an approximate estimate of the income for this year?

HON. MR. BRACKEN: I do not think the figures are available, but they will be higher for us, and very much lower for Saskatchewan. Then at the bottom of page 44:

Average Index for Years 1929 to 1935, Both Inclusive.

Manitoba	Saskatchewan	Alberta
34.88	29.34	45.91

"These figures reflect conclusively the ordeal through which western Canadian agriculture has been passing during the seven years ending 1935; the year 1936 is but little better--1937, although much better in Manitoba, is much worse in western Canada as a whole."

That is because of the general effect of the Saskatchewan crop upon the whole situation. Then dropping down to the middle of page 45, and dealing with debt adjustment in Manitoba, I want to give the Commission some idea of

how the Government, within the limited powers we have under our constitution, attempted to meet this situation :

"Debt Adjustment in Manitoba.--Under the circumstances set out above it is not surprising that creditors, voluntarily in many cases and under compulsion in others, have given a measure of assistance to debtors. Debt adjustment has been invoked in an attempt to bridge the gap between the farmer's contractual fixed charges and his hopelessly inadequate income. We shall briefly summarize the adjustments made, recognizing that there are a very large number of cases of private voluntary adjustment of which there is no public record.

SUMMARY OF DEBT ADJUSTMENTS IN MANITOBA

OF WHICH THERE IS PUBLIC RECORD.

Voluntary cancellation of debt by the Manitoba Farm Loans Association since 1931, including \$123,000.00 written off in drought areas.....		\$ 530,704.31
Voluntary cancellation of debt by Manitoba Rural Credit Society prior to 1929	\$1,100,902.30	
Since 1929	<u>318,187.40</u>	1,428,089.70
Seed grain and relief indebtedness written off by province in drought area municipalities :		
Seed grain	\$ 340,867.87	
Relief debt	<u>917,470.42</u>	1,258,338.20
Voluntary reduction or cancellation allowed by loan companies (of which \$996,116.72 applies to mortgage ag- reements in drought areas).....		2,849,268.85
Reduction in farm debts under Farmers' Creditors' arrangement Act in 2,687 cases disposed of by the Board of Review		<u>8,233,000.00</u>

Total..... \$14,099,401.15

In addition to the above reduction, the

Debt Adjustment Board of the province was able to arrange substantial reductions in debt,

"although no information as to total amount is available. In addition, the operation of the Canadian Farm Loan Board has had the effect of scaling down debt since the prospect of being paid in cash from a loan has induced many creditors to give a substantial discount.

The Legislature of Manitoba in its attempt to pass legislation to meet the debt situation early found itself faced with an insuperable barrier. Under the British North America Act the jurisdiction over bankruptcy and interest was vested in the Dominion Parliament. Hence, while the provincial Legislature of Manitoba might pass laws suspending the creditor's rights to proceed against debtors, it had no constitutional authority to empower the provincial Debt Adjustment Board actually to reduce or cut the amount of the creditor's claim. No such compulsory reductions were possible until the Dominion Parliament, in the exercise of its jurisdiction over bankruptcy, passed the Farmer's Creditor's Arrangement Act."

The next page and a half have to do with the legislation that Manitoba passed in its efforts to cope with the situation, and I shall leave that for the Commission to read at its leisure.

THE CHAIRMAN: Then you come to your Conclusions?

HON. MR. BRICKEN: Yes, I will read the paragraph just ahead of the Conclusions:

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"It is recognized that the limits of provincial jurisdiction regarding debt are such as to make any legislative action by the government palliative rather than remedial. Subject to this constitutional restraint the legislature and government of Manitoba have done everything legally possible to alleviate the burden of private debt.

CONCLUSIONS

"Following a long period of declining income the question of private debt may be regarded in either of two ways:

First, it may be regarded as a matter for adjustment between debtor and creditor. So regarded, it is a matter for the Dominion parliament to deal with because the Dominion parliament alone has exclusive jurisdiction over the subject matters of bankruptcy and interest, which are involved in debt adjustment."

Our legislation had the effect chiefly, Mr. Chairman, of postponing debt payments rather than of forcing adjustments of them, although in practice it did result in many cases in very material adjustments. Continuing:

"The reduction of the indebtedness incurred before the depression to a reasonable relation to the debtor's present ability to pay, in view of the reduced income which the debtor has received for several years consecutively, is a matter with respect to which only the Dominion parliament can legislate. We urge, therefore, that until a position of greater balance has been restored to all Manitoba farmers, that the Farmers' Creditors' Arrangement Act should

"be continued with such amendments as from time to time may be necessary.

Continuance of Provincial Debt Adjustment Acts.-- Since the Farmers' Creditors' Arrangement Act does not cover all cases, it will be necessary, at least until the last mentioned or a similar Act is made to cover all cases of farmers and urban home owners, that the Manitoba Debt Adjustment Act be continued as well.

Coordination of Provincial and Federal Acts.-- It would seem that by joint federal and provincial action a better coordination of these two Acts might be reached in order to minimize overlapping.

Operation of the Canadian Farm Loans Board.-- As a means for the refunding of private farm debt at a lower interest rate, the activities of the Canadian Farm Loans Board, although successful as far as they have gone, have not been very extensive in Manitoba as yet. We would urge that by more suitable and extensive advertising, and other publicity methods, the attention of the farmers might be called to the advantages of refunding their indebtedness by new loans from the Board.

Secondly, private debt may be regarded as part of the larger problem of economic recovery. The happy results of the so-called "Premiers' Plan" in Australia were in considerable measure due to a recognition of the fact, in the words of W. T. G. Hackett, writing in *The Canadian Chartered Accountant*, January, 1936, that:

'In settling disputes, the Courts recognized that the principle involved was the necessity of reduction of interest charges for an economic purpose rather than the relative position of

"debtor and creditor. The fact that a private or corporate debtor could afford to pay the original rate of interest was not regarded as grounds for the maintenance of such rate for the benefit of the creditor."

In Australia, early in the depression, they approached this debt problem by means of a horizontal reduction in interest charges on practically everything. In this country the question was approached in a different way. Those who could pay were expected to pay; those who could not pay, in one way or another got adjustments. It is perhaps too late now to talk about the advisability or inadvisability of a horizontal reduction in interest rates, but that was done in other places.

THE CHAIRMAN: There is just one question I wanted to ask at this point. In your opinion is the present machinery dealing with private debts adequate to meet the situation?

HON. MR. BRACKEN: I will ask the provincial treasurer to answer that question for you.

HON. MR. GARSON: In reply to the question whether the present machinery--that is, the Farmers' Creditors' Arrangement Act, our own provisions here, and the Canadian Farm Loans Board^{is} adequate for dealing with private indebtedness, I would say that viewed as legislation these Acts are adequate, but as we have pointed out in the brief, for example, in connection with the Canadian Farm Loans Board, it might be more extensively used: and then I think also, although I am not suggesting whose the responsibility it should be, that the provisions of the Farmers' Creditors' Arrangement Act might be more widely advertised. I believe that many people do not resort to it simply because of ignorance of its terms.

Then there is also the case which is covered in the brief of farmers and urban home owners. In other words, it is the view of the government that the provisions of the Farmers' Creditor's ~~Arrangement~~ Act might be made to apply to the case of urban home owners. I think most of these points are fairly apparent from the brief itself, Mr. Chairman.

MR. PITBLADO: I think, Mr. Chairman, it should be also pointed out that there is a general Bankruptcy Act which permits in most cases a private citizen or a company to go into bankruptcy. As you know, Mr. Chairman, it did not apply to farmers; at least it was thought so, and therefore a special act, The Farmers' Creditors' Arrangement Act, was brought in and passed by the Dominion parliament. Now one of the general features that applies to all private debts would be that consideration, that there is a general bankruptcy act in Canada which can be taken advantage of by persons voluntarily if they wish to do so, as well as a person being forced into bankruptcy under the provisions of the act.

THE CHAIRMAN: That gives the answer to my question. My point was really whether at the present time there exists in one form or another adequate machinery for dealing with the problem of private debts, or whether the problem is of such magnitude and importance that the present machinery is inadequate.

HON. MR. GARSON: I think there is probably one qualification that should be made of Mr. Pitblado's statement, Mr. Chairman. While it is quite true that there is a ~~voluntary~~ act, the amount of cash deposits that must be put up by a citizen in order to take advantage of its provisions has proven in the past, in the case of the smaller individual, to be rather a deterrent to the act

being invoked, and the idea in suggesting that the provisions of the Farmers' Creditors' Arrangement Act or a similar statute be made applicable to the smaller urban home owners is to provide a cheap method by which these individuals may secure an adjustment of debt secured against their home while still continuing, as in the case of the farmer, in possession of it.

MR. PITBLADO: That covers it.

THE CHAIRMAN: Thank you.

HON. MR. BRACKEN: We come now, Mr. Chairman, to a summary:

FINANCIAL, ECONOMIC AND SOCIAL EFFECT OF THESE DISABILITIES.

"In your instructions you have been asked to examine the results of the Dominion-Provincial relationship. Having concluded a discussion in some detail of certain disabilities that have been operating in our western Canadian economy, let us now, without elaboration, summarize these results as evidenced by the conditions at present existing insofar as they affect individuals, municipalities and school districts, and the provincial government.

EFFECTS ON INDIVIDUALS.

With respect to individuals--

- (1) Incomes have declined to a point below the average for Canada; and net profits from private enterprise in agriculture, except in the last two years, have in many cases disappeared;
- (2) For large numbers of our citizens, private indebtedness has been found too heavy to be borne, necessitating the continuance of Debt Adjustment Laws by the provincial government and of the Farmers' Creditors' Arrangement Act by the Dominion;

- (3) For many taxpayers arrears of taxes are beyond their capacity to pay;
- (4) Production of agricultural products by farmers has been maintained largely by drawing upon capital reserves, by permitting heavy depreciation in equipment, by dispensing with all but a minimum of hired labour, by a large degree of dependence upon family labour, and by a distinct lowering of living standards;
- (5) To many individuals opportunity for employment has disappeared; a long repetition of disappointments has brought discouragement, loss of hope of improvement in economic conditions and the acceptance by some of radical views which find expression in various forms of political protest in the hope that a change might bring about better conditions.

The sum total of the effects of these conditions explains in part the rise of the farmers' organizations, the development of co-operative associations, the extension of the C.C.F. political organization, the appearance of communism a few years ago, and still more recently the social credit movement in Alberta.

Whatever else these movements may have been and however different in form or purpose, they were all protests against inequities and injustices long continued and for which remedies had been too long delayed. From the beginning to the present these have been portents of internal stresses in our economy which in our opinion the state cannot longer refrain from correcting by major adjustments of policy and of governmental

"set-up. It would seem to be self-evident that the accumulated burden of private debt must be lessened in deserving cases and a more constructive plan provided for dealing with unemployment.

EFFECTS ON MUNICIPALITIES AND SCHOOL DISTRICTS.

How have the conditions of past years reacted upon the local administrative units in our set-up, the municipalities and school districts?

- (1) The decline in private income brought disastrous declines in local tax revenues;
- (2) The decline in tax payments brought difficulties in municipal administration; municipal deficits became the rule and not the exception.
- (3) In many instances not even the cost of normal services, has been met out of ordinary revenue;
- (4) Drastic reductions have been made in the cost of services, particularly schools;
- (5) The necessity of unemployment relief, particularly in urban centres, brought a financial burden that could only be met by borrowing. Of the larger urban centres which found themselves carrying much the heaviest burden, the weaker ones met the situation by default in interest payments, some were able to avoid that course and the City of Winnipeg, where the problem is concentrated, although in a sound position only a few years ago, is now faced with a financial crisis;"

"(6) Crop failure over several years in five municipalities and over a shorter period in eight others in the southwestern corner of the province created a local situation that was only met by the generous assistance of provincial and Dominion governments;

(7) The interest on indebtedness in the suburban municipalities adjacent to Winnipeg, in certain municipalities in the drought area, and in certain northern and eastern municipalities could not be met, and defaults occurred;

(8) The land tax, the chief and practically the only source of revenue for rural municipalities and major source for urban ones, became so burdensome that it is a real deterrent to building construction, which has largely disappeared and with it opportunities for employment in the building trades. At the same time lands and urban property, in unprecedented quantities, have been abandoned or have come under the ownership of municipalities, thereby returning to the municipalities but little revenue in many cases and for the most part none at all;

(9) In general it may be said with respect to municipalities in Manitoba that while their per capita taxation is approximately the same as the average for Canada, yet in relation to income of the people during the last ten years it has been about 35 per cent higher;

" (10) School districts fared similarly to the municipalities and all that has been said concerning the difficulties of the latter can with equal force be said with respect to the former. Many schools were kept from closing altogether only by the doubling up of school districts, the acceptance of drastic salary cuts by teachers and by extra grants from the provincial government. The educational needs of some of the more thinly settled areas had to be met by the inauguration of correspondence courses for public school children. In spite of these unusual conditions, municipalities and school districts have met their financial problems as well as their economic conditions permitted, but have done so by a lowering of the standards of public service below what a minimum Canadian standard should be.'

" EFFECTS ON THE PROVINCIAL
 GOVERNMENT

I have indicated how the sum total of these disabilities reacted upon individuals, upon municipalities and upon school districts. What has been the effect on the provincial government?

'(1) The decline in private income has expressed itself in a drastic decline in normal provincial government income, and this resulted in current deficits;

(2) The current budget has been maintained in a state of balance only by drastic economies on the one hand and onerous taxation

'on the other;

(3) Declines in private income, in industry and business threw men out of employment in unprecedented numbers and these became an added financial burden to the state;

(4) The financing of unemployment relief could not be met out of current revenues, but was met by the thoroughly unsound method of borrowing;

(5) These conditions so increased extraordinary expenditures and so decreased ordinary revenues as not only to throw the provincial budget out of balance but to impair provincial credit so that the treasury could not borrow except at prohibitive rates of interest;

(6) To meet this contingency, the policy of borrowing from the Dominion government to meet relief requirements was forced upon the government as a measure of absolute necessity;

(7) The increase in the relief debt necessitated a heavy increase in current expenditures for interest;

(8) To meet the demands of a minimum standard of public service, Manitoba with its per capita income reduced to three-quarters of the average for Canada was forced to maintain, even under these trying conditions, a tax rate which, while approximately the same on a per capita basis, on the basis of income was 35 per cent higher than the average of the other provinces;

'(9) Interest alone remains the one single item in our budget which has not been arbitrarily reduced.

From an impartial analysis of the provincial government's position under the economic, social and political set-up of to-day two things are abundantly clear:

'(1) In the face of the world crisis of the last seven years, to which there has been added an agricultural depression of entirely unprecedented magnitude and several years of drought accompanied by the lowest price for our chief agricultural product in the last 400 years, the public debt of Manitoba, now absorbing for debt charges over 47 per cent of the provincial expenditures, must be refunded at lower interest rates;

(2) The people of the province, with an income now much below the average for Canada, and further handicapped by unfavourable federal policies, ought not to be left with the responsibility of maintaining public services and relief on a standard essential to the well-being of the community.'

CONCLUSIONS

From this summary it will be apparent that there are two types of problems now demanding a rational solution, those having to do directly with individuals and those having to do with their governments, provincial and municipal.

The major problems affecting individuals are two in number:

'(1) How to meet the accumulated financial burden resulting from the unusual disabilities of past years; and

(2) How to deal with unemployment.'

" Unfortunately, aside from the administration and financing of unemployment relief, neither of these comes directly within the purview of this Commission. We have, nevertheless, taken the liberty of reviewing them for your general information and for the purpose of making certain suggestions with respect to them.

The problems facing the provincial government and the municipalities and school districts are also two in number:

'(1) How to meet the weight of the accumulated financial burdens of the past arising out of a world depression; and

(2) How to give in the future to the citizens resident in this section of Canada a reasonable standard of public services, the responsibility for which has been left with the province, on a tax base that the Fathers of Confederation never conceived as adequate to meet such unanticipated responsibilities and on an income much below the average for Canada.'

With respect to these two problems, both of which come within the range of this Commission's duties, we desire to submit two major proposals for your consideration.

"

TWO MAJOR PROPOSALS

In regard to the two problems of public debt and social services we desire to submit two major proposals:

'(1) The reconstitution of the provincial debt at lower interest rates; and

(2) Reallocation of responsibilities between the Dominion and provincial governments.'

1.-- RECONSTITUTION OF THE PROVINCIAL DEBT AND INTEREST BURDEN.

Manitoba's provincial debt has been shown to have grown to such a size that it requires a very large percentage of the annual revenue to meet the interest and debt charges thereon. It has also been shown that it is impossible to increase taxation in Manitoba above its present level. Some adjustments, therefore, must be made in the interest rates on Manitoba's debt.

Other countries have faced the necessity of similar action. They have accomplished the required results, some by refunding callable bonds, some by inflation, some by a measure of compulsory refunding, some by default and some by repudiation.

After several years of effort by certain Canadian provinces no reduction of interest and debt charges on provincial public debt in Canada has been accomplished either by joint action or by mutual agreement, except that resulting from default. Inflation was not within Manitoba's power. Repudiation would have been unjust and dishonourable. Mutual adjustment has not been found practicable of accomplishment.

" Feeling that default was unwise, both in the interest of Canada in general and in the future interest of Manitoba in particular, we have during the past five years, by the most drastic measures of economy and by severe taxation, managed to avoid it. It is impossible to continue these measures, however, and inasmuch as we are going further into debt each year by some four millions of dollars for relief borrowings, we must in common fairness to all, including the holders of our bonds, face the situation which now confronts us. The time has come when material adjustments must be made on some mutually acceptable basis, or inevitably other more arbitrary and less satisfactory procedure to accomplish a lessening of the interest burden will have to be taken.

The Burden of Interest Charges.--

Before outlining the debt reconstitution plan we wish to point out to you the burden that interest charges have become upon our reduced income.

'(1) It has been shown that while Manitoba has a slightly lower per capita net debt than the average for Canada, and while Manitoba was the only province in Canada whose debt has not been doubled in the period since 1926, yet in this province where our debt is slightly below the average and has increased relatively less than in any other province, our debt in 1935 was equal to 42 per cent of our income while the average debt of the other provinces

'was equal to but 29 per cent of their incomes;

(2) It has been shown that while Manitoba's per capita combined municipal and provincial debt is smaller than the average for Canada and that since 1926 it has increased only by 32 per cent while that for all Canada has increased by 64 per cent, yet the more greatly increased total municipal and provincial debt of all Canada equalled only 70 per cent of the national income in 1933, while Manitoba's municipal and provincial debt combined equalled 98 per cent of the income of her people in the same year.'

Plan Proposed.---

In the hope of accomplishing a rational adjustment of interest rates, we propose a plan which provides for the cooperation of the Dominion government, the bondholders and ourselves, one which will give to creditors a just return and a maximum of protection and to the province a reasonable adjustment in interest rates.

In sections A and C of Part IX of this submission a plan of reorganization of Manitoba's budget will be found outlined in some detail . We wish here briefly to point out the chief features of the proposal.

Cancellation of Relief Debt. ---

We propose the cancellation of all of the relief debts now owing by the province of Manitoba to the Dominion government (\$19,257,819.08 as at April 30 last), and the

"cancellation of all the relief debts now owing by the municipalities to the provincial government (\$4,365,097.50 as at April 30 last). We propose also the assumption by the Dominion government of all relief debts now owing by the municipalities otherwise than to the Manitoba government (City of Winnipeg \$5,398,000 at December 31, 1936 -- at present approximately \$7,000,000). The basis upon which all of these debts were incurred and upon which most of the moneys now represented by them were advanced by the Dominion was that of need. If the need had not existed in such a critical form that funds could not, as a matter of fact, have been borrowed elsewhere, these advances would not have been made. The need arose because the provinces and the municipalities were attempting to maintain, upon a tax base inadequate for that purpose, social services which should never have been the responsibility of any government excepting the Dominion Government. This burden of social services and the debts incurred therefor by the province and the municipalities more than any other factor have created the financial crisis which now faces the province and its municipalities. The cancellation of this debt, therefore, is one of the most effective methods of helping the province and its municipalities to avoid a disastrous outcome of that crisis.

" Retention of Subsidies -- Debt Assumption by Dominion -- Refunding of Balance.--

We recommend the assumption of a part of the provincial debt by the Dominion in return for retention of the subsidies upon the express condition that the holders of Manitoba's bonds at the same time cooperate in the refunding of the balance of Manitoba's direct and indirect public debt at average rates of $3\frac{1}{4}$ per cent and $3\frac{1}{2}$ per cent per annum respectively.

A low rate of interest on the whole debt is the achievement which we must seek to attain. In the case of Manitoba, upon the basis of this proposal the savings in interest charges would amount to \$2,400,000 per year. If the plan were followed by all provinces on the same basis the saving in interest would be \$23,000,000 per year. This proposed capitalization of subsidies, expressly conditioned upon the bondholders' cooperation in refunding the balance of Manitoba's direct and indirect bonded debt, is the great step which will permit the necessary scaling down of indebtedness so that provincial credit will be restored. This phase of the proposal can be achieved without any additional cost being placed upon the Dominion."

The Members of the Commission will perhaps appreciate by this time the fact that this debt reconstitution plan has three features: (1) The acceptance by the Dominion of a relief debt amounting to something over \$19,000,000; (2) The acceptance by the Dominion of some \$50,000,000 odd in return for the retention of the subsidies they now pay annually to us, which subsidies

would pay $3\frac{1}{4}$ per cent interest on the amount of debt they would take over; and (3) The acceptance by the bondholders of the balance of the debt at the rate of interest of $3\frac{1}{4}$ per cent.

The next subject is the reallocation of responsibility. May I read from the brief:

" REALLOCATION OF RESPONSIBILITIES BETWEEN
THE DOMINION AND PROVINCIAL GOVERNMENTS.

We come now to the second major proposal.

The proposal for the reallocating of responsibilities between the Dominion and the provinces is as follows:

- ' (1) The Dominion to assume full responsibility for the financing and administering of unemployment relief (including, as already outlined, the provincial and municipal debt for relief to date);
- (2) The Dominion to accept responsibility for the total cost of old age pensions, in place of the 75 per cent of the cost it is now paying;
- (3) The Dominion to share with the provinces on substantially a 50-50 basis the cost of the following services:
 - Mother's Allowances,
 - Hospitalization,
 - The care of the Mentally Afflicted,
 - Public Health Services,
 - Highway Construction and Maintenance,
 - Technical Education.
- (4) The province to give to the Dominion the sole power to collect succession duties. '

The reallocation plan which we have proposed

"contemplates that the Dominion shall undertake to provide approximately one-half of the cost of our social services, chiefly services relating to public welfare. We believe that with such a participation in these burdens the dominion would not be undertaking more than a just proportion of the costs of such services.

We have requested that the Dominion spend an amount for federal trunk highways in Manitoba equal to the amount which Manitoba proposes to spend upon provincial highways. We cannot urge too emphatically the great interest that our federal government, which has done so very little in this direction, should have in our highways. Canadian highways are one of our most important earning assets. The receipts from the tourist trade of Canada now amount to considerably more than \$250,000,000 annually. There are few countries in the world whose highways are so directly an earning asset as are those of our own country, yet our own central government has taken a minimum of responsibility for them.

Now we might discuss the advantages to Manitoba from these two proposals:

ADVANTAGES TO MANITOBA FROM THESE TWO PROPOSALS.

" What would Manitoba secure for herself if these two proposals were carried out?

The province would be able to relieve the pressure upon municipalities and school districts primarily for education, social services, roads and to reduce tax levies, all to the extent of over \$2,600,000.

" The province would secure a saving in interest charges of some \$2,400,000 per year; it would be able completely to balance its budget; it would be permitted to reduce its high level of taxation.

SPECIFIC EFFECTS.

For purposes of greater clarity we may set out in more specific detail the effects of these proposals upon the different governmental units in our federal system.

These proposals would mean for the province:

- '(1) A saving in interest charges of \$2,400,000 annually;
- (2) Relief from the cost of unemployment services;
- (3) Relief from the one-quarter cost of old age pensions;
- (4) Relief from a portion of the cost of certain services, including:
 Mothers' Allowances,
 Hospitalization,
 The care of the Mentally Afflicted,
 Public Health Services,
 Highway Construction and Maintenance,
 Technical Education:
- (5) A transfer to the Dominion of the sole power to collect Succession Duties;
- (6) An adjustment with the Dominion of obligations and responsibilities which would:
 - (a) make possible the transfer to the municipalities for their services of all assistance received by the province from the Dominion for other than unemployment relief;

'(b) permit the performance of normal provincial services which have been starved by the economies of recent years.

These proposals would mean for the Dominion

- (1) Cooperation in making possible a constructive adjustment of the present financial impasse of the provinces and municipalities;
- (2) The receipt of the revenues from succession duties now collected by the province;
- (3) The assumption of \$1,941,674 per year in increased financial obligations for the cost of social services, including old age pensions;
- (4) Liability for interest charges on that portion of the provincial public debt assumed by it -- an amount equal to the subsidy retained by the Dominion;
- (5) Assumption of responsibility for administration and financing of the whole cost of unemployment relief, including the relief debt of the provinces and the municipalities;
- (6) A measure of substantial justice that will bring dividends in national harmony and unity and progress and a great impetus to our whole economic life.

These proposals would secure for the municipalities and unorganized territories and the services they support:

- (1) A net gain of some \$2,600,000 per year, including
- (2) Repeal of the land tax now imposed for old age pensions, \$344,000;

- '(3) Repeal of the land tax for other levies, \$24,000;
- (4) Reduction in interest charges on direct and indirect debt, \$250,000;
- (5) Increased financial assistance for highways, \$815,000;
- (6) Increased assistance for market roads, \$260,000;
- (7) Increased educational grants, \$1,000,000."

I do not need to point out that the repeal of these land taxes would leave the municipalities the entire field of land taxation, and after what you heard from Mr. Evans this morning you will see the desirability of that, if it is possible.

" These two proposals, the debt reconstitution plan and that for reallocation of services are presented to the Commission as a joint plan. Together they seek to put the province and the municipalities in such a position that with continued care in controlling expenditures these local governments may be expected to meet their responsibilities in a reasonably acceptable manner. This joint proposal will not make possible relief to municipalities on any generous scale, such as some of them will no doubt seek. Our plan is offered as a reasonable proposal, with neither too much in the way of added obligations upon the Dominion nor too much in the way of extra assistance to the municipalities; although without doubt the Dominion will protest that it is being asked to assume too great responsibilities and the municipalities will protest that not enough

"has been requested to enable them to function properly.

If essential parts of this joint plan should not be found acceptable, the province cannot undertake beforehand to agree to other parts. For example, if the debt reconstitution plan is acceptable and the reallocation of services plan is not acceptable we are not to be understood as now agreeing to the debt reconstitution plan alone as it is now proposed. It is essential that in whatever action is taken the province must achieve a completely balanced budget upon the basis of reasonable services and reasonable taxation."

Mr. Chairman, this ends the submission of the Manitoba Government. We have endeavoured to present the case for this portion of Canada as fully and frankly as possible, without overstatement or understatement. May I read the closing words of the brief:

" CLOSING

The views expressed and the proposals advanced have been arrived at after long and careful inquiry. We invite the most thorough examination of them. We submit them for your consideration with other plans that will no doubt be placed before you, and we ask only that they be considered on their merits.

In closing these remarks we wish to say that we have unbounded faith in the future of western Canada if we are not hampered by other than inherent natural conditions. Agriculture, which is the basis of our economic life in this part of Canada cannot be revived and stabilized

"unless it has assurance of adequate export markets. Without export markets there is no sound ground for optimism as to our future. With export markets, which sound long-time national trade and fiscal policies would secure, we believe that the natural advantages of western Canada are such that they can be developed far beyond anything we have yet attained.

It is unfortunate that neither the Members of the Commission nor anyone else can predict what the long-time trade and fiscal policies will be. That being so, we urge upon this Commission such a readjustment of Dominion-provincial relations as will make possible, within Confederation, a workable plan under which the Dominion, provincial and municipal governments can provide for the people in every province of Canada, that common standard of public and social services to which as Canadian citizens they are justly entitled."

That is our submission. For seven years we have faced almost insuperable difficulties. If this joint plan or some alternative that will give equivalent results to Manitoba should not be forthcoming I would not be frank if I did not say that we see no alternative but suspension in payment in part of the interest on our capital debt, which in plain language means eventual default.

COMMISSIONER DAFOE: Mr. Bracken, would you have any objection to giving us the benefit of your judgment and experience by suggesting how, in your opinion, the plan could be put into operation?

HON. MR. BRACKEN: Are you referring to the refunding plan?

COMMISSIONER DAFOE: There is a suggestion that the Dominion Government, the provincial government and the bondholders should get together and consider the matter with a view to reaching a satisfactory adjustment. That would be very desirable if it could be accomplished. Would you care to indicate what course should be followed in the event of any obstacle arising in that respect?

HON. MR. BRACKEN: Mr. Commissioner Dafoe, what we have proposed here gives the main principles of a solution which, if it could be effected, would seem to meet our situation. We have not thought through all the details. You are speaking now of the debt reconstitution plan.

COMMISSIONER DAFOE: Yes. The Dominion takes the subsidy and refunds the bonds.

HON. MR. BRACKEN: We have not thought through these details. There are these three proposals. As to the first one, the answer is either yes or no; the Dominion Government will either take over our relief debt or they will not. That would be the first question to decide. The second will be to consider whether they will take over the \$52,000,000 of debt for the \$17,000,000 of annual subsidy given. If they are prepared to consider the principle involved in that, then we can go into the details. At the same time, we would have to have a consultation with our chief creditors to see whether a three and a quarter per cent rate on the balance of the debt would be acceptable. Beyond that we have worked out no details, but we are prepared to sit in with any one else and try to work them out.

COMMISSIONER DAFOE: There will no doubt be difficulties.

HON. MR. BRACKEN: Yes, there will no doubt be some difficulties. The Dominion Government is not going to accept \$19,000,000 of our debt without consideration

nor will it take over \$52,000,000 of debt in return for the subsidy without some consideration. The creditors may consider three and a quarter per cent too little. The whole problem is fraught with many difficulties. But if we are looking for an easy way out, I suggest that the easiest way out is not the most satisfactory. The easiest way out is simply to suspend in part the interest on our debt, and that is not a satisfactory way. We think that, judged from all angles, from every point of view, this is a reasonable proposal. As to further details we have not worked them out.

COMMISSIONER DAFOE: The ninth submission you have put in indicates that the refunding is to extend to that portion of the public debt which the province has to pay and there is a suggestion that the plan might be applied to the debts of the municipalities. That is set forth in Part IX. It would be a huge operation, which, I should think, would involve some measure of compulsion, and my object in asking the question is purely to get some enlightenment personally. It would be a great problem.

HON. MR. BRACKEN: Mechanically and in every other way it would be a great problem, but we have either to tackle it or to leave it alone, and if we do not tackle it and do something, then something will be done in a way that is less satisfactory than the way we have proposed.

COMMISSIONER DAFOE: You have probably more experience with bondholders than I have had, but I suggest that the attempt to get them to accept the proposals might meet with recalcitrance on the part of an element among these bondholders.

HON. MR. BRACKEN: There is no question about that. The Dominion Government will be recalcitrant towards

the proposal that they should take some of our debt, they might not like the idea with regard to the retention of the subsidy, and some of the creditors might not want a rate of three and a quarter per cent.

COMMISSIONER DAFOE: Do you think that a plan could be worked out by which it might be optional for the provinces to accept or reject, as they might see fit, the proposal with regard to the exchange of the subsidy for a portion of the debt, with consequent refunding? Is it your idea that it should apply to the whole dominion, or might the provinces be left to elect the course that they should follow?

HON. MR. BRACKEN: We have thought that question out for ourselves and I see no reason why it should not be optional. I imagine there are certain provinces that will not want to have anything to do with it.

COMMISSIONER DAFOE: It might suit some provinces very well while to others it might not be acceptable.

HON. MR. BRACKEN: I do not know that anything I might say in that regard would be of much use to you, Mr. Commissioner, but I should think there is no reason why it should not be used by other provinces. Whether it would be wise for other provinces to think of doing it is another matter, and I should expect some of the provinces to object. Some of them would not want to do it. I see no reason however why it could not be utilized by all of them.

COMMISSIONER DAFOE: We appreciate the fact that you have made a very constructive proposal; but looking ahead I can see that certain questions may arise as to how the plan can become operative and I thought that you might care to give us the benefit of your opinion. On the 50-50 basis to which you have referred, should the grants be

conditional or unconditional, in your judgment?

HON. MR. BRACKEN: If the proposal with regard to reallocation of services, as we have suggested, were accepted, it is our idea that the Dominion Government which will be putting up some of that money would determine the conditions upon which it should be used, just as they have done for several years past with old age pensions or in some similar matter, so that they would have some control over the way in which the funds were used.

COMMISSIONER ANGUS: Would the provinces, under the proposal you have made, that they should put up 50 per cent of the cost of the minimum service and the Dominion the other 50 per cent, receive half the cost of existing services but be free to make any increases it chose at its own expense?

HON. MR. BRACKEN: We have not worked out the details and we are prepared to sit down and discuss them. However, the matter has been worked out in connection with old age pensions and it can be worked out in connection with others. As I say, we have not thought through the details, but the central government would have to have some say as to the policy under which it would be worked, and that would be a matter for consideration in conference. We have not looked into it that far.

COMMISSIONER ANGUS: There would not be any transfer of legislative authority to the provinces?

HON. MR. BRACKEN: I am afraid that is a question for the lawyers to answer.

HON. MR. GARSON: Has that question reference to social services?

COMMISSIONER ANGUS: Yes.

HON. MR. GARSON: Obviously, if the administration were

retained by the provinces it would mean a transfer of legislative authority.

HON. MR. BRACKEN: Unless there is some practical legal question as to the Dominion government appropriating money for some use for which the Constitution does not make it responsible. That however is a question for someone else to answer.

THE CHAIRMAN: Have you given any consideration to this phase of the matter, Mr. Bracken? If you have not, I do not wish you to answer offhand the question I am about to ask. Your idea is to go to the bondholders and ask them to accept a refunding at a reduced rate of interest. If the bondholders, under the proposal you have put forward were asked to accept such an arrangement, they might ask, "What guarantee have we that in future years the public debt will not be so increased as to imperil our investment?" Suppose this economical government should go out and another come in --

HON. MR. BRACKEN: That is not probable.

THE CHAIRMAN : --- and that succeeding government incurred public debts amounting to many millions, the bondholders would face a risk unless there were some understanding as to future borrowings. I am merely asking whether you have considered this aspect of the matter.

HON. MR. BRACKEN: I am glad you have raised that question, Mr. Chairman, and I should like to make this statement. If something like the joint proposals we have advanced here is approved, we are looking forward to the time when we shall get along without borrowing. That is the position we wish to put ourselves in -- not to borrow any more.

Borrowing in the past has been one of the causes of our present difficulty. Borrowing was justified in the past because everyone was looking forward to the millennium, and to no end to prosperity. We are deliberately setting ourselves in the position where we will not borrow, where we will say if things have to be done in the future we must find a way to finance them out of current revenue. That is the position we want to reach, but we have not reached it yet. In further answer to your question let me say this: I gather that what you want to know is whether we would be agreeable to some sort of loan council.

THE CHAIRMAN: I have no particular form in mind. I am thinking only of the question which appears to me will inevitably arise in the minds of the bond holders when you approach them. Perhaps you have considered in some states of the American union they have a constitutional prohibition against incurring vast debt, and they have succeeded in paying their way. Nebraska is an example. They are building their roads and buildings there without incurring public debt. In Australis there is a loan council. I do not know whether you have considered any of these matters. Probably later on you would like to make a suggestion about it.

HON. MR. BRACKEN: We have given no consideration whatever to the constitutional provision which would make it impossible to borrow on capital account. I presume you mean within our own constitution.

THE CHAIRMAN: Oh, yes.

HON. MR. BRACKEN: I do not know what good that would do, because if we could put it in our own constitution we could take it out again.

THE CHAIRMAN: Yes, but you would have to restrict the power to change the constitution.

HON. MR. BRACKEN: That is a position we should like to reach. We have given no consideration to the question of deciding by constitutional amendment it should not be done. With regard to the question of loan council, some consideration has been given to that. In principle we are opposed to it; but if in order to get this whole matter satisfactorily adjusted something of that character seems to be required or desirable we would give it consideration. On principle we do not like it. We are not prepared to admit that we have been any worse than any government which might dictate to us in the future in regard to borrowing in the past.

THE CHAIRMAN: Probably they are all in the same boat.

HON. MR. BRACKEN: Yes.

THE CHAIRMAN: I have one other question. You have included in the list of services in which you suggest there should be a division between the dominion and the provinces "Hospitalization". In some of the provinces the hospitals are ^{either} private or religious establishments. They are neither governmental nor municipal institutions. Had you thought of that? There might be difficulty in working out the cost of hospitalization.

HON. MR. BRACKEN: That is a matter to which we have given no consideration. I can see there would be difficulties. I should not think they would be insuperable.

THE CHAIRMAN: As I understand it you wish to file Part 9.

HON. MR. BRACKEN: Yes. May I mention, Mr. Chairman, that part 9 of our submission shows in detail how this joint plan, if put into effect, would work out. It has been prepared wholly for the information of the Commission. We thought you would not care for us to come along here and make these blunt proposals without showing in exact detail how it would work out. It is for that reason it has

been prepared. If the Commission desires any detailed discussion on the matter we are prepared to give it. If it wishes to study the question in further detail that will be satisfactory to us. Whatever is your wish is agreeable to us.

THE CHAIRMAN: I think you might file it as part of your case, Mr. Bracken, and if it is desired to ask questions with reference to it we shall do it at the first of the week.

HON. MR. BRACKEN: I desire to file part 9 as part of our submission.

EXHIBIT NO. 16: Details as to how joint plan, if put into effect, would work out.

THE CHAIRMAN: On behalf of the commission I thank you very much for the care which the government of Manitoba has taken in preparing so thorough and comprehensive a case on the position as you see it. It has set a very high standard. You, of course, realize that many of the proposals, and many of the contentions, are matters upon which there may be a difference of opinion, and until we have heard from all the provinces and the dominion in reference to the matter, and also have had these proposals examined by our experts, we necessarily must suspend judgment on the reference.

HON. MR. BRACKEN: Mr. Chairman, thank you for your kind remarks. I want to say that we did not expect you to say yes to all these proposals today. May I say also on behalf of the government of Manitoba how much we appreciate the pains-taking care the Commission has given to our submission, and will give to other submissions. We have every confidence that whatever comes out of the next years work will be what this Commission feels is in the best interests of Canada.

THE CHAIRMAN: There remains information to be given by certain deputy ministers. Are you prepared to go on with that now?

HON. MR. GARSON: Mr. Chairman, before we hear the deputy ministers may I be permitted to say a word or two? About two minutes ago revised figures were handed to me with regard to mortgage loans. These figures are a correction of the ones which appear on page 45 of part 8. At the bottom of the page under the heading of "Voluntary reduction or cancellation allowed by loan companies" there appears a total of \$2,649,268.85. That figure should be \$3,138,191.88. Of that amount \$966,291.17 applied to the mortgage agreements in the drought area.

MR. PITBLADO: How much to the drought area?

HON. MR. GARSON: That, is for that particular year and the other one the total. There was just one other point in connection with the Honourable Premier's submission. I understood from your questioning that you thought that hospitalization in Manitoba included the operation of hospitals. It does not include that. It merely means the statutory allowance per patient day for indigent patients, and the basis for it is referred to on page 35 of part 7.

THE CHAIRMAN: You were referring to the amount the province pays.

HON. MR. GARSON: Yes, my Lord.

THE CHAIRMAN: Suppose the province decided to change that amount.

HON. MR. GARSON: Well, I think we made it clear, Mr. Chairman, in both parts 7 and 8 that any grant that the dominion might make of that nature would be upon conditions satisfactory to the government.

THE CHAIRMAN: Thank you.

MR. ST. LAURENT: I believe Mr. Newcombe, Commissioner of the Workman's Compensation Board is here, and is prepared to submit to us material he has prepared on the possibility of their being overlapping in the administration of the services.

MR. C.K. NEWCOMBE, Chairman, Workman's Compensation Board and Old Age Pensions.

THE CHAIRMAN: In connection with the evidence of the witness who has just been called, it is your desire to ascertain whether there is overlapping in regard to the services to which the dominion and the provinces make certain provisions.

MR. ST. LAURENT: I understand both the dominion and the provinces are interested in the administration of old age pensions, and that Mr. Newcombe is Chairman of the Board and can give the commission information as to whether or not there is any unnecessary expenditure incurred as a result of overlapping that may be eliminated.

THE CHAIRMAN: Then, give us your view of that.

MR. NEWCOMBE: Yes, Mr. Chairman, Under the Workman's Compensation Act, which the provincial board handles for the Dominion of Canada, compensation is given for all the employees of the Dominion of Canada within this area. These costs are made specifically for the Dominion of Canada, and payments for accidents to injured employees of the government are made out of moneys placed in our hands by the Dominion Government. At the close of the year the same administration charge is made to the dominion government as is made to any other large employer, for example, the Canadian Pacific Railway. In that service there does not appear to be any overlapping. The Workman's Compensation Board of

Manitoba handles old age pensions and expends for the dominion in each year a sum roughly approximating \$2,000,000. The chief overlapping in that connection -- probably the only overlapping -- is in the service of auditing. Two members of the staff of the Comptroller General of Manitoba spend the greater part of their time auditing these payments. You will understand, sir, that the amount is large and the payments are all small. There is a great deal of detail work in the auditing. The Department of Finance at Ottawa, which has control for the Dominion Government, sends out regularly auditors on their behalf. These gentlemen come at regular intervals. Then the Auditor General of Canada with a commendable distrust of both parties sends out a third group of auditors. Now, there appears to be a good deal of overlapping in this work, but as long as the dominion government pays 75 per cent of the money expended and the provincial government 25 per cent, presumably each of these parties will desire to make a careful audit of the books.

I might say that the auditors from all three jurisdictions show a commendable desire to cooperate, and there is no more overlapping, I imagine, than under the present set up can be arranged. The only cure I see there, would be for the Dominion Government to take over both the payment and the administration. That, I believe, covers whatever overlapping there is in these services.

MR. ST. LAURENT: I understand Mr. Newcombe is filing a concise statement in that regard. I would suggest that it be filed as Exhibit 11 to the proceedings of the Commissions

EXHIBIT 11: Concise statement with regard to overlapping services in connection with old age pensions, workman's compensation, etc.

HON. MR. MAJOR: Before Major Newcombe retires,

might I ask permission of the Commission to have him make a statement in regard to the administration of workman's compensation. Questions have arisen as to the jurisdiction of the provinces of Canada in naming a board an investing it with judicial powers. The subject came up some time ago in eastern Canada, and I believe a reference was prepared for the supreme Court in the year 1932. Because of representations made at the conference that was held in Ottawa in 1932 that reference was abandoned. But now that you are considering constitutional jurisdiction I believe that it will be quite proper for Major Newcombe, who has had very considerable experience in the matter of workman's compensation, to put before you gentlemen exactly the situation as he finds it in regard to the administration of workmen's compensation and what possibility there exists in Canada for workmen's compensation boards, which are most important, as we all know, to find themselves occupying positions which are constitutionally unsound.

THE CHAIRMAN: Answer, that Mr. Newcombe.

MR. NEWCOMBE: Mr. Chairman, the workmen's compensation boards in Canada were originally organized on the basis of a report made by Chief Justice Meredith to the legislature of the province of Ontario. An interim report was made in 1912, I believe, and the final report in 1913. In 1914 the Ontario Workman's Compensation Act, which was the parent of Acts which are now adopted in each of the nine provinces - all except British Columbia - was adopted. The Act had not long been in operation in the province of Manitoba - it was passed in 1917 - when the question was raised in the courts as to the constitutionality of these boards. Chief Justice Mathers of the Court of King's Bench, in a long and comprehensive judgment found that in his opinion the boards were Superior Courts,

inasmuch as they had plenary jurisdiction over the matters of law and fact insofar as they came within the ambit of workmen's compensation.

As to the judicial nature of the work, I might say, sir, that about one quarter of all the cases in great Britain dealt with by the Court of Appeal and the House of Lords are cases dealing with workmen's compensation. In Great Britain the whole deciding of the cases is handled in the courts, the county court judge acting as an arbitrator in the court of first instance, and an appeal lying from his decision to the Court of Appeal or House of Lords. Now, Chief Justice Mather found in his opinion the board as constituted in Manitoba, and that would apply to the boards in each of the other provinces, was constituted as of right by the province, but inasmuch as the province had set up what was in his judgment a superior court, the province had no right either to appoint or to pay the personnel. That decision of Chief Justice Mathers went to the Manitoba Court of Appeal but the issue was never decided because the Court of Appeal dismissed the appeal not on the ground as founded but on the point that the jurisdiction of a de facto judge should not be attacked in a collateral proceeding, but must necessarily be attacked on proceeding by way of quo warranto, with the result that the point, so far as Manitoba was concerned, has never been decided. About three years ago the issue was raised in the province of Quebec in *Slane v. Grimstead*, when Mr. Justice Delorimier gave a decision closely following the basis of the decision of Chief Justice Mathers, although the Manitoba case was never referred to in any of the reports on the cases. The Court of Appeal in Quebec dismissed the appeal; so the whole matter has been left in a very unsatisfactory condition. In the meantime

these administrative boards are setting up reserves, and now in Canada there have been a great many millions of dollars set aside to provide pensions for widows, orphans, injured men and boys. Therefore, it was thought that that situation might be considered by you, sir, with your board, because of its general interest to those of us who are endeavouring to administer workmen's compensation throughout the dominion. It is also stated that there is a great deal of doubt as to the status of these boards. They are doing a great deal of work that is judicial, as is shown by the preponderance of such cases in the British courts. It would seem to be generally in the public interest if that situation were clarified. I think that is all, sir.

THE CHAIRMAN: I was under the impression that a case had gone to the Privy Council from British Columbia.

MR. NEWCOMBE: Peters v. the Yorkshire Trust.

THE CHAIRMAN: What was the decision there?

MR. NEWCOMBE: The decision was that the board's jurisdiction, insofar as it had been set up by the province delimited and could not be attacked; but another question arose at that trial, sir, as to the proper or improper constitution of the Commission.

MR. CHAIRMAN: Was there not a case also from British Columbia in which the C.P.R. was a party?

MR. NEWCOMBE: That was the Sophia Case, and that rested on the extra-territoriality of contract.

THE CHAIRMAN: That was the point in that case.

MR. NEWCOMBE: Yes.

THE CHAIRMAN: The constitutionality of the board was not raised.

MR. NEWCOMBE: It was not raised at that time, sir.

THE CHAIRMAN: There is a case being argued at the present term of the Privy Council which may throw light on the question; that is the validity of the act constituting the Ontario Municipal Board.

MR. NEWCOMBE: Yes.

THE CHAIRMAN: Which has certain judicial functions; and in an appeal from the judgment of the Court of Appeal of Ontario to the Privy Council, the City of Toronto is contending that the Ontario Municipal Board act is ultra vires, because it is a creation of a court. The members of the board are appointed by the provincial government rather than by the Dominion Government. Judgment on that case may throw some light on this point. It is quite possible the Privy Council may hold under the particular provisions of the Ontario Municipal Board Act that it was a court, but it might not throw any light on the power of the workmen's compensation board.

MR. NEWCOMBE: The point was raised in 1927 when Canada signed the Convention on workmen's compensation at Geneva. At that time Mr. Lapointe, in an Order-in-Council which was prepared for the federal government, gave it as his opinion:

"That if a special court be constituted in pursuance of the first article above mentioned with jurisdiction or powers which are such as to make it in essence a Superior Court, then, while the constitution of such a Court is within the competence of the provincial legislatures, the appointment and payment of members or judges of the court engages exclusively the powers of the Dominion under secs. 96 and 100 of the B.N.A. Act, 1867."

THE CHAIRMAN: That is the issue here, in fact.

MR. NEWCOMBE: I prepared no brief on it; it was

just brought up this afternoon. If you wish I can have a memorandum made.

THE CHAIRMAN: It will all appear in the notes.

BY MR. ST. LAURENT:

Q. As I understand it, the situation is this: the boards are performing services that are provincial and federal?

A. Yes.

Q. By virtue of cooperation between the boards and the federal government?

A. Yes.

Q. And the large percentage of the wage earning public is affected by the operations of these boards? A. Practically all of the wage earning public, sir.

Q. A considerable fund has grown up which is a trust for the services of indemnity that have been established, payable on a periodical basis?

A. Yes. It approximates almost \$4,000,000. in Manitoba, and it is very much larger in Ontario and Quebec.

Q. And your view would be, if there is any possible constitutional difficulties about the future operations of these boards this would be a good opportunity of having them cleared up by joint action of the federal authorities and the provincial authorities.

A. Exactly, for the benefit of the wage earners and the employers.

THE CHAIRMAN: It is practically adjournment time. Have you any witness that we can here in five minutes?

MR. ST. LAURENT: I think Mr. Evans, the Deputy Minister of Agriculture has a short statement to make on the possibility of overlapping functions between the federal agricultural activities in this province and his own provincial government. That might not take more than three or four minutes.

MR. J.H. EVANS: Mr. Chairman, and gentlemen of the Commission, I have prepared a statement covering the

activities of the Dominion Department of Agriculture in Manitoba and our own Department of Agriculture and Immigration. I have set forth their function, and with your kind permission I should like to allow the typewritten brief to speak for itself.

MR. ST. LAURENT: WE are having it mimeographed so there may be copies available for all. The mimeographed copy is not yet ready; but the conclusion the Deputy Minister has arrived at, as I understand it, is that there is no overlapping that could be eliminated with any saving to the Treasuries of the Dominion and the Provinces.

THE CHAIRMAN: After we have had an opportunity of looking over the statement which you have prepared, Mr. Evans, it might be found necessary to ask you certain questions.

MR. EVANS: Thank you, sir.

MR. ST. LAURENT: This statement may be filed as Exhibit 12.

EXHIBIT NO. 12: Statement covering overlapping between Dominion and the province of Manitoba in the department of Agriculture and Immigration.

THE CHAIRMAN: In view of the amount of work that has been done, we had hoped it would not be necessary to sit on Saturday; however, I think we must sit tomorrow morning. We shall sit from 11.00 to 1.00. We shall now adjourn untill 11.00 tomorrow morning.

The Commission adjourned at 4.30 p.m.
until 11.00 a.m., Saturday, December 4th.

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF PROCEEDINGS

DEC 4 - 1937

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WINNIPEG, MANITOBA, DECEMBER 4, 1937

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

WINNIPEG, MANITOBA, DECEMBER 4, 1937.

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Law Courts, Winnipeg, Manitoba, on Saturday, December 4, 1937, at 11 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFOE, Esq.)	
DR. ROBERT ALEXANDER MacKAY)	Commissioners
PROFESSOR HENRY FORBES ANGUS)	

Commission Counsel:

Louis S. St. Laurent, Esq., K.C.

Secretariat:

Alex. Skelton, Esq.,	Secretary
R. M. Fowler, Esq.,	Legal Secretary
Wilfrid Eggleston, Esq.,	Assistant to the Secretary
Adjutor Savard, Esq.,	Secrétaire Français

FOR THE MANITOBA GOVERNMENT:

Honourable John Bracken	Premier
Honourable William J. Major	Attorney General
Honourable Stuart Garson	Provincial Treasurer
John Allan, K.C.,	Deputy Attorney General
Dr. F. W. Jackson	Deputy Minister Health and Public Welfare.
R. M. Fisher, Esq.,	Deputy Provincial Secretary
D. J. Allan, Esq.,	Asst. Deputy Minister, Mines and Natural Resources
A. MacNamara, Esq.,	Deputy Minister, Public Works and Labour
Isaac Pitblado, K.C.	Counsel

FOR THE PROVINCE OF BRITISH COLUMBIA:

Senator J. W. Farris, K.C.	Counsel
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FOR THE PROVINCE OF ONTARIO:

D. W. Lang, K.C.	Counsel
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Law Courts,
Winnipeg, Manitoba,
December 4, 1937.

MORNING SESSION

The Commission met at 11 a.m.

DR. F. W. JACKSON, Deputy Minister of Health and Public Welfare, Manitoba, was called and examined.

THE CHAIRMAN: You have prepared a brief, Mr. Jackson, which has been presented to the Commission?

DR. JACKSON: Yes, Mr. Chairman, and there are one or two remarks I should like to make with respect to it.

THE CHAIRMAN: We shall be glad to hear them. In this brief you give a general outline of the work of your department, and I would be glad if you would describe it briefly just to give us a general picture of the situation.

DR. JACKSON: Mr. Chairman, the department consists of two main subdivisions, one having to do with Health, and the other having to do with Welfare, or the provision of Social Services. Under Health we have included, for purposes of administration, hospitalization and the care of mental disease, because they really should be considered as social services.

The Department of Health is concerned principally with the prevention of disease and an attempt to promote the health of the people of the province of Manitoba. Its work is almost entirely administrative, in that the actual work carried on in the field is a municipal responsibility, although we have the power of stepping into any municipality and superceding them if in our opinion the work required to be done is not being done satisfactorily.

THE CHAIRMAN: Is it the law and also the practice that each local municipality has its own health officer?

DR. JACKSON: Yes, sir. The question has been asked whether there is any duplication between the work of the provincial Department of Health here and the Department of Pensions and National Health at Ottawa. Actually there is no duplication.

THE CHAIRMAN: Before we come to that, you have already spoken of the work of your department, and now would you tell us what work is carried on by the federal Department of Pensions and National Health at Ottawa?

DR. JACKSON: It carries on similar types of services to our own, in an advisory capacity. That is, they have at Ottawa what might be called a consultant health service, which is at the disposal of the provinces. Also at Ottawa, in the federal Department of Pensions and National Health, they have certain divisions which are entirely similar to ours. They have, for instance, a Division of Epidemiology, a Division of Industrial Hygiene, a Division of Maternal and Child Welfare; and, of course, the Statistics Branch, although it does not come under the Health Department at Ottawa, is closely related to it.

THE CHAIRMAN: Do I understand from you that there is no direct work carried on in Manitoba by the Dominion Department of Health, but that it does furnish an advisory service with which you may consult with reference to all branches of your work here?

DR. JACKSON: That is correct, sir, except in one particular, and that is in reference to the Division of Sanitation. We have a Division of Sanitation in the Manitoba department, and they have a division also at Ottawa. The Ottawa department also has as its responsibility in Manitoba the control of common carriers, the supervision of their water and milk supply; and sanitation. The Ottawa de-

partment also takes care of the sanitary supervision of the National Parks. That all comes directly under the supervision of the federal government---the control of national parks and their sanitation. That is carried out by the Department of Pensions and National Health at Ottawa, and over those matters we have no control.

THE CHAIRMAN: You said that the Dominion Department of Health takes control of sanitation in connection with transportation, and you said something about the supply of milk?

DR. JACKSON: Yes, that is a part of sanitation. The federal department is responsible for seeing that the milk and water supplies required by the transportation companies are satisfactory.

THE CHAIRMAN: I see.

DR. JACKSON: In reference to the sanitary control of the National Parks, this is becoming more and more important due to the increasing traffic. I might say that actually there is no duplication. The federal department carries on the work as described, and we carry on our sanitation in the various parts of the province, and there is the closest cooperation between the two departments. About six or seven years ago, the federal department agreed to enforce the law in Manitoba in respect to sanitation in the National Parks, and they do all the work in this connection.

There are two other departments of the federal government which carry on what might be classified as health work in the province of Manitoba. First there is the department of Mines and Resources, which is responsible for the health of Indians, through the Indian Affairs branch. That might well be classified as a health work.

Then the Department of Transport, the old department

of Railways and Canals, is responsible for the medical care of employees on federal works. Any medical services that the federal government employees at Churchill, for instance, may require, are supplied by the federal government.

THE CHAIRMAN: Supplying medical services to employees at Churchill would not involve any special functions of the department of health, would it? Would not the department responsible for the employees at Churchill see that proper medical attendance was provided?

DR. JACKSON: But there is a health aspect involved, Sir, in that the medical personnel employed is responsible for the sanitation and control of such camps as the federal government look after. The difficulty, as I see it, is that the provincial Department of Health in their operations go up to the border of the districts looked after by the federal government, and there we stop. This has particular reference to public works and to medical care among the Indians.

With respect to medical care amongst the Indians, our jurisdiction ends when we get to the boundary of the Indian reserve, despite the fact that those residing on the Indian reserve may be a direct menace to the population of Manitoba. This in itself causes a considerable amount of duplication. Perhaps I might illustrate that by an actual case which occurred in the last ten days. A case of typhoid fever was reported from an Indian reserve in the western part of Manitoba. The medical officer of the Indian reserve reported to us that he thought there might be some danger to the half-breeds living outside the reserve but close to it. This meant that we had to send an employee of our department up there to look into the situation despite the fact that there was a man there paid for by the federal government to look after the Indians. In other words, I consider

that money was unnecessarily spent on one side or the other.

Then with reference to tuberculosis, I think we are justified in making the statement that the Indian population in Manitoba are the people who are not under supervision in so far as being a menace to the population of Manitoba is concerned. In other words, we think that most of our foci of infection for tuberculosis rests with the Indians. To more or less prove this, we had a survey made this year, at the request of the Indian Department, of a certain group of Indians, some 2,600 odd, and if we use that as a basis of computation of the number of cases of tuberculosis amongst the Indians of Manitoba, we are led to believe that amongst the Indians in Manitoba, there are 300 who urgently require sanatorium treatment because they are spreaders of the disease, whereas amongst the total white population of Manitoba we are assured that there are not more than 100 who require sanatorium treatment. The Indian population of Manitoba comprises some 15,000 persons, and the white population, as you know is over 700,000; and the menace so far as the whites are concerned, we believe rests with the Indians.

I do not know whether it is the intention of the federal Indian Affairs department to set up a system of tuberculosis control amongst the Indians, but we believe that such action should be taken either by the federal department or by the federal department requesting the provincial department, through the sanatorium board, to take some control over the matter. We know, or at least we believe, that our high death rate for tuberculosis amongst the whites is partly attributable to the large amount of tuberculosis among the Indians, and this is borne out by the fact that in Saskatchewan, where they have a particularly low death rate amongst the Indians, some attempt has been made to segregate the spreaders of

disease amongst the Indian population.

COMMISSIONER MacKAY: When a tubercular Indian is discovered to need sanatorium treatment, what is the procedure?

DR. JACKSON: When the case is discovered, request is made of the department at Ottawa for the Indian to be admitted to one of the sanatoria, one of the provincial sanatoria, for which the federal government pay to look after the Indians.

THE CHAIRMAN: In what respect does the method of dealing with cases of tuberculosis amongst the Indians differ in Saskatchewan from Manitoba?

DR. JACKSON: Some two or three years ago in Saskatchewan they established a station at Fort Qu'Appelle for the special treatment of tuberculosis among the Indians. I am not saying that that is the solution for Manitoba, but what I would like to emphasize, is the fact that at the present time not nearly enough work is being done in reference to tuberculosis amongst the Indians, and in our opinion, more intensified work must be done if we in Manitoba are to receive any benefit from the work that is being carried on through the Sanatorium Board of Manitoba. I would respectfully suggest that I do not think it is necessary to spend public funds in Manitoba, at the present time at least, for sanatorium beds for the Indians: I think our present sanatorium accommodation can probably handle the situation. I do not think it necessary either to greatly increase the personnel in the branch of the Indian Department in so far as medical care is concerned because we have a set-up in the province, in the Sanatorium Board of Manitoba, to take care of the situation. It is a matter of some agreement being arrived at between the two departments, and I think this is probably on the way.

THE CHAIRMAN: Could all the health work that is being done in Manitoba be more efficiently and more economically done by one department than by two? I am speaking now of the work within the province.

DR. JACKSON: Sir, I am of the opinion that is so, that it could be more economically and more efficiently done by one department.

THE CHAIRMAN: Which department, in your opinion, could do it more economically?

DR. JACKSON: Without casting any reflection on any department, I think in view of the fact that we are closer to the field, the provincial Department of Health is the logical department to carry out this work.

THE CHAIRMAN: You spoke of the service carried on at Ottawa as a service of consultation. Do you find that of benefit to the Department of Health in Manitoba?

DR. JACKSON: Yes, sir, absolutely. We think we should have the privilege of consulting with some group in the public health field, with men who are leaders in particular branches of public health activities, to whom we might refer for consultation.

THE CHAIRMAN: Do you claim that the Dominion Department of Health is one that should be continued in that capacity?

DR. JACKSON: Continued and enlarged; improved, if one might say so.

THE CHAIRMAN: One department could not be abolished without the impairment of the service?

DR. JACKSON: No, sir, I do not think so. To try and operate the service from either the western provinces or Ottawa would be very cumbersome and unwieldy because decisions have very often to be made on a few minutes' notice, or a few hours at most, and that could not possibly be done satisfactorily if the work were centralized in Ottawa.

COMMISSIONER ANGUS: Would the same kind of difficulty arise if the Dominion were to attempt some sort of health insurance? Would it be practical to superimpose that on the organization that is set out here in this brief which you have presented to the Commission?

DR. JACKSON: It would be quite practical.

COMMISSIONER ANGUS: Without any duplication?

DR. JACKSON: Without any duplication.

THE CHAIRMAN: This memorandum and the accompanying chart which you have prepared, Dr. Jackson, will be filed as an exhibit.

EXHIBIT NO. 13: Memorandum pertaining to matters to be dealt with by departmental executive officer--Health and Public Welfare.

THE CHAIRMAN: Have you any questions to ask of Dr. Jackson, Mr. St. Laurent?

BY. MR. ST. LAURENT:

Q. I gather from your remarks, Dr. Jackson, that the consultant service of the Department of Pensions and National Health at Ottawa has been found of value by your provincial Health Department? A. Yes, sir.

Q. And that the field work is performed by the provincial Department of Health for a population of over 700,000 in Manitoba? A. Yes, sir.

Q. And that there is field work being performed by the officers of the federal department for an Indian population of about 15,000 and for the federal employees in the Churchill area? A. Yes, wherever there is federal employment.

Q. How many would they number approximately? A. I could not tell you.

Q. Would it be a matter of hundreds or thousands?

A. Probably hundreds.

Q. A matter of hundreds; so the proportion remains about the same. On the one hand there is the field work for a population of over 700,000 that is being performed by the provincial department, and there is the medical work with respect to about 15,000 Indians that could be performed by the provincial department, but that is being performed by the officials of the federal government? A. Yes, sir.

THE CHAIRMAN: Thank you, Dr. Jackson.

COMPANIES LAW.

R.M. FISHER, Deputy Provincial Secretary, Manitoba, was called and examined.

By Mr. St. Laurent:

Q. Mr. Fisher, I understand that you have prepared a memorandum respecting companies and the administration of companies legislation by the provincial and federal government? A. Yes, sir.

Q. How long have you been Deputy Provincial Secretary in Manitoba? A. About seven years.

Q. And during that time companies administration has been under your control? A. Yes.

Q. Will you briefly outline the work that is being performed in that connection by the province? A. I have a brief typewritten memorandum here which outlines the situation, and perhaps I might be permitted to read it.

THE CHAIRMAN: Very well.

MR. FISHER: It reads as follows:

"The Companies Act" of Manitoba is administered by the Provincial Secretary. In addition he has the powers, duties and functions which are assigned by law or custom to Provincial Secretaries and Registrars of the different provinces of Canada. "The Public Printing Act" and

"the office of King's Printer for the Province, 'The Civil Service Act' and the office of the Civil Service Commissioner for the Province, and minor parts of several other provincial statutes also come under his jurisdiction.

There is no corresponding department of the Dominion Government within the Province, but the Dominion 'Companies Act' is administered by the Under Secretary of State at Ottawa.

Legally the jurisdictions of the Dominion and Provincial departments respecting companies do not overlap, as under the British North America Act the Province was given exclusive jurisdiction over the incorporation of companies with provincial objects, while under the residuary clause of section 91 the Dominion was given jurisdiction with relation to all matters not coming within the exclusive jurisdiction of the Province.

The practical administrative difficulty in determining jurisdiction, is to ascertain at the time of incorporation whether the objects of the company will ultimately be provincial or inter-provincial.

If the British North America Act were amended, and if agreement could be reached as to whether the Letters Patent or the registration system of incorporation were to be adopted, it should be possible to draft a Canadian Companies Act vesting sole jurisdiction in a Federal Department.

The incorporation of, and jurisdiction over, companies, however, involves questions of taxation and revenue, which are matters of policy

"respecting which administrative officers should not express opinions.

There is one important administrative problem that would result from a centralized system of incorporation and administration of companies, namely, the factor of time or distance might require for the convenience of the public, the establishment of branches of the central authority at various points in Canada.

Prima facie, it would appear that the inspection and control of inter-provincial financial companies, the taxation of all inter-provincial companies and possibly security frauds prevention legislation, could be more efficiently administered by a department having plenary jurisdiction over all Canada. If, however, provincial and municipal governments are to continue they might object to companies created for provincial government or municipal purposes being subject to Federal jurisdiction or control.

It would also appear that a uniform informative return made to a central authority would result in a saving of labour and expense to the inter-provincial companies concerned. Company returns, however, are for the information of the public, and again the public convenience might require the establishment of branches of the central authority where copies of returns would be available for inspection. If it was considered necessary to establish such branches it is doubtful if any saving in administrative costs could be effected.

The whole subject is important and complex,

"and would require careful study and investigation before any worthwhile opinion could be expressed. Matters of public policy and provincial revenue are also involved and with respect to those phases it would be necessary to obtain the opinion of the responsible Ministers concerned.

If the Commission desires any statistics or information as to administrative details the department will furnish them upon request."

BY MR. ST. LAURENT:

Q. I notice that you say at the bottom of page 2, "If, however, provincial and municipal governments are to continue they might object to companies created for provincial government or municipal purposes being subject to federal jurisdiction or control." Does that refer to the purely administrative functions of government, or to companies incorporated to take over activities? A. Public or semi-public utilities, sir.

Q. Public or semi-public utilities? A. Yes.

Q. Or whenever the government or a local unit deemed it in the interest of the public to perform some service which theretofore had been performed by a private or semi-private organization. Do you think it would be a practical difficulty having the service centralized at one point? A. There is only this question, that it is sometimes necessary in business affairs to get very speedy action, and we rather pride ourselves in this province that we can get out Letters of Incorporation in 24 hours.

(Page 743 follows)

The delay from Vancouver to Ottawa, and the expense involved in telegraphic or telephonic communication might cause some inconvenience.

Q. Do the statistical returns that have to be kept on file constitute something that is at all frequently consulted by the public? A. So far as my experience is concerned, I would say, yes.

Q. There are frequent occasions for the public to require access to the returns that are kept on file in your Department? A. Yes.

Q. Do you think that would involve any inconvenience that might be at all serious if such returns were available only at the federal department? A. Except the question of time, because it might be necessary to get information very quickly, and my judgment would be this. Suppose it were a balance sheet; a man would be more satisfied to inspect the balance sheet himself than to take someone else's interpretation of what the balance sheet showed. I do not know that it is an insurmountable difficulty, but I raise the question because it is a matter of practical importance.

Q. In practice, people do come considerable distances to inspect returns in your office? A. No, the local inspections are usually done by people residing in Winnipeg, and in many cases these people possibly represent inquirers from other points in Manitoba. But as regards one-third of the population of Manitoba, practically all the business men, men in industrial and commercial business, the great portion of it is carried on in Winnipeg.

Q. But as a matter of practical experience, when anyone outside Winnipeg requires information from these returns it is usually obtained by a Winnipeg correspondent?

A. That is right.

COMMISSIONER MacKAY: I understand that a uniform Companies Act is under way now; that is to say, the province is taking steps to draw up a new Act.

MR. FISHER: Yes.

COMMISSIONER MacKAY: Do you think it will assist in meeting the difficulties that have arisen in the administration of the Company law?

MR. FISHER: No, I would not think it would overcome any particular difficulties in administration. All that a uniform Companies Act would accomplish under the present set-up would be uniformity of law and practice. One of the difficulties that I see in the way of a uniform Act is the question as to whether the letters patent system or the registration system is to be followed. One involves questions of ultra vires and it is possible that under the letters patent system the importance of the question of ultra vires is largely minimized. Whether the various provincial jurisdictions could come to an agreement as to which system should be followed, I am not prepared to state.

COMMISSIONER MacKAY: Have you any idea how much revenue is derived from the incorporation of companies in Manitoba?

MR. FISHER: Between forty and fifty thousand dollars annually.

THE CHAIRMAN: Approximately how many provinces use letters patent and how many registration?

MR. FISHER: I cannot be positive, Sir, but I believe the letters patent system is followed in the Dominion, in Ontario, Manitoba and -- I am not sure about this -- in the Maritimes. The registration system is followed in Saskatchewan and British Columbia and, I believe, in

Alberta, although I am not sure of that.

THE CHAIRMAN: There must be a good many Dominion companies operating in Manitoba. A good many of the business and financial institutions in Winnipeg are Dominion corporations, are they not?

MR. FISHER: I have the figures here. Rather expecting that this question would be asked, I requested the office to take off the figures and I have them here. At the present time there are 4,061 corporations in good standing in our register. Of these, 2,668 are Manitoba incorporations, 875 are Dominion, and 518 are from other provinces or foreign jurisdictions.

THE CHAIRMAN: Under your law, I assume that the 875 and the 518 all have to take out licences to do business in these parts?

MR. FISHER: No; possibly I had better explain the situation in that regard. In so far as Dominion companies are concerned, we only ask them to register. We also ask our provincial incorporated companies to register. That is to say, the legislature has taken the position that we cannot differentiate between federally incorporated and provincially incorporated companies and therefore we put them on the same basis so far as the requirements of the Department are concerned. As regards corporations incorporated in other provinces, or foreign jurisdictions, they must take out a provincial licence and register in addition. So that so far as licensing is concerned, there are only the 518 in that category.

THE CHAIRMAN: Generally speaking, would it be correct to assume that a company incorporated by the Dominion would have either to take out a licence or to

register and pay the same fee in the different provinces of Canada?

MR. FISHER: Yes, Sir.

THE CHAIRMAN: Do you require a fee for registration?

MR. FISHER: Yes, Sir; the fee is \$25.

THE CHAIRMAN: So that before a Dominion incorporated company can do business it must register or take out a licence according to the law of the province?

MR. FISHER: Yes, Sir. In Manitoba we require them to file a copy of their charter and their general by-laws, and to appoint an agent in the province against whom service of process may be effected.

THE CHAIRMAN: All these formalities undoubtedly cost money, and ultimately I suppose the unfortunate individual has to pay. Is there any feasible method whereby satisfactory results might be secured which would involve less expense than the present system of administration, Dominion and provincial?

MR. FISHER: In answer to that question, the only suggestion I can make is that if there were centralization there would have to be a quid pro quo to the provinces for the loss of revenue.

THE CHAIRMAN: I recognize that. Apart from the question of revenue, however, do you see any special importance attached, from the standpoint of the province, to the right to incorporate companies?

MR. FISHER: No, except as to that question with respect to control and jurisdiction. As a business proposition, Sir, looking at the matter from the standpoint of the business man, I see no objections to one jurisdiction apart from the question with respect to control and possibly subagencies of the local government.

THE CHAIRMAN: I can understand that. But so far as Dominion and provincial companies are concerned, you cannot discriminate against Dominion companies in your legislation?

MR. FISHER: We take the position here that under the present constitutional set-up we cannot make any discrimination between Dominion and provincial companies. We compel provincial companies to register the same as Dominion companies. The only difference is that as we issue the charter we do not have to ask provincial companies to file a charter, though they have to file their general by-laws and amendments and pay the same fee as Dominion companies.

THE CHAIRMAN: So far as the 875 Dominion companies are concerned, any one wishing to search the records in Winnipeg has to communicate with you?

MR. FISHER: No, sir; he can get their charter and their general by-laws. We do not require the ordinary mercantile corporation to file any statement of assets or liabilities or balance sheet. Many of the Dominion companies -- I say this with some reservation -- certainly I know that some of the Dominion companies of a financial type do file with us, as a matter of record, statements and balance sheets with their returns.

COMMISSIONER DAFOE: The recognition by the province of Dominion companies is a matter of obligation upon the province and not a matter of grace. Could you refuse to register a Dominion company?

MR. FISHER: Not under our present legislation.

COMMISSIONER DAFOE: That is, your provincial legislation?

MR. FISHER: Yes.

COMMISSIONER DAFOE: Can any province bar a Dominion company from operating?

MR. FISHER: Speaking with deference in the presence of learned Counsel, my understanding is that the province cannot in any way interfere with the right of a Dominion incorpoarted company to carry on its business anywhere in Canada. It can, however, tax such companies or penalize them for failure to live up to the provincial requirements with respect to the filing of some return or information. I am subject to Mr. Pitblado's opinion in that regard.

THE CHAIRMAN: I do not think Mr. Pitblado will differ from you in that statement.

EXHIBIT 14: Memorandum of Department
of Mines and Natural Resources.

MR. D.J. ALLAN, Assistant Deputy Minister of Mines and Natural Resources, Manitoba, was called and examined.

BY MR. ST. LAURENT:

Q. I understand that you are the Assistant Deputy Minister of Mines and Natural Resources of Manitoba? A. Yes.

Q. How long have you occupied that position? A. Three and a half years.

Q. In a general way, what are the functions of the Department of Mines and Natural Resources? A. I would ask the indulgence of the Commission to read a part of the submission. I will shorten it as much as possible, and so as to save time I may explain that the Department is divided into six branches. I can hardly answer the question generally; to do justice to it I should have to take it branch by branch.

Q. What are the six branches? A. Lands and Forests, Mines, Water Power, Fur and Game, Fish and Provincial Surveys. There are more than six but they are grouped

as six.

Q. Will you briefly describe in a general way the activities of these branches? A. Perhaps I might be allowed to read a paragraph or two from the submission.

" Generally, the Department of Mines and Natural Resources is responsible for the administration of the primary and basic sources of natural wealth -- Crown lands, provincial forests, fisheries, fur and game, mines, water power, and for the direction of the provincial surveys branch, which supplies a service essential to all of them.

The object of the Department is the immediate development and wise exploitation of the natural wealth of the province for the benefit of its people, and to protect and conserve and so manage the resources as to perpetuate their usefulness to serve to the fullest possible extent those who come after us and for whom we are the trustees."

I can shorten this somewhat by passing over Crown lands and school lands in view of the fact that the Dominion is not in the field. The province controls settlement on the land and directs it to its highest use, but I can pass over school lands without comment.

As regards the forests, both the federal and the provincial governments occupy this field to some extent.

With respect to school lands, I might explain that the Department here has been managing these lands only since they were turned over from the Dominion in the year 1930 under the Natural Resources that were turned over. It has not always been that way. Since the turning over of the Natural Resources, the school lands have been

administered along lines similar to those directed by the provisions of the Dominion Lands Act and the provincial Acts.

BY MR. ST. LAURENT:

Q. To a certain extent both the Dominion and the Provincial government occupy some part of the field in connection with the administration of forests? A. Yes.

Q. Will you give us a brief outline to indicate how that has come about? A. The province, of course, is charged with the business administration of the forests, their management and all matters appertaining to supplying present needs and the needs of the future in connection with forest products. So far as the Dominion is concerned, it enters into the picture only in two respects -- in connection with the National Park at Riding Mountain, which is operated by the federal government, and an experimental area at Duck Mountain, also operated by the federal government. It is in connection with the experimental area that any conflict might occur. Actually, I do not know that there is any direct conflict of interest or any overlapping, but they do carry out certain research work there.

Q. Is that something that had been inaugurated before the resources were turned over to the provincial administration? A. I believe the federal government, in all the provinces, carried on a certain amount of research work prior to the transfer of resources to the provinces, but so far as this experimental area is concerned, I cannot tell you definitely whether it was started after the transfer or was simply continued after that time.

MR. PITBLADO: The Minister says, after.

BY MR. ST. LAURENT:

Q. Is that a substantial area? A. It consists of 37 square miles of provincial land. That is all covered in the written submission.

MR. PITBLADO: I suggest that you read the note at the bottom of page 6.

MR. ALLAN: It reads:

" In connection with the experimental forestry station in the Duck Mountains, the federal government maintains a forestry office in Winnipeg. This office is staffed with a technical forester, an assistant, some clerical staff, and is the headquarters for the three western provinces. The federal organization in Manitoba operates on an area of 37 square miles of provincial lands and the work consists of research in growth and silvicultural management of different species. Permanent sample plots have been established on which work is carried on by technical experts. The results of their experiments and observations are communicated to Ottawa where they are correlated and coordinated with the findings of other stations across Canada."

THE CHAIRMAN: Is that something that could be done to better advantage by the province?

MR. ALLAN: No. In the prairie region from the Great Lakes to the mountains the nature of the forest is substantially the same, and the experimental work done in Manitoba has a very definite relation to the same type of work done in Ontario, Saskatchewan and Alberta. It is a field of pure research, and in my judgment it would be better left with the federal government. It requires

quite expensive and elaborate equipment. I understand that the federal government has, for instance, a sulphite paper model plant and quite an elaborate laboratory in which it carries on work relating to forest entomology where it is making experiments in connection with parasites and so on. That equipment has been established at great expense and duplication of such services in every province would not be in the interests of economy when the information that is sought is equally applicable to all the provinces.

THE CHAIRMAN: I am afraid I did not catch your statement. Is the province of Manitoba carrying on any experimental work?

MR. ALLAN: No, Sir; they are carrying on no experimental work except to a minor extent in our nurseries. I do not know that one would call it experimental work; it is the development of work along lines that have got past the experimental stage, inasmuch as they know where they are going.

THE CHAIRMAN: But it is all of a different character from that carried on by the Dominion?

MR. ALLAN: Entirely different.

BY. MR. ST. LAURENT:

Q. The work that is being carried on by this Dominion service is work that would have to be carried on by provincial organizations if the Dominion organization did not exist? A. I do not know that it would have to be. I have set it out in the brief and I should like to read from the statement to show what our point of view is. Mr. Pitblado suggests that I point out to you that forest entomology is carried out under the federal Department of Agriculture and not under any department at

Ottawa that corresponds to our branch. That is in connection with studies in the problem of preventing the spreading of insect infestation and bacterial and fungus diseases, and it is very much to the fore at the moment owing to outbreaks across Canada, particularly in the Gaspé peninsula, which have appeared in Manitoba in the last couple of years. Why it should appear here when it started in that part of the country is a question that is engaging the attention of the federal Entomological Branch, and they are doing some work in Manitoba at the present time.

THE CHAIRMAN: It is not due to the tourist traffic, is it?

MR. ALLAN: It might possibly be. Spruce bud worm infestation in Gaspé is also taking its toll in Manitoba, and with many of these diseases, if they can be stamped out at the source, we may save the forests of Canada. And it is as important to Manitoba as it is to any other part of the country that these diseases be attacked at their source, whether in British Columbia or Nova Scotia. It is as important to this province, I say, to try to stamp out these diseases wherever they originate as if they originated in Manitoba itself.

There is one matter I should like to stress somewhat and it is this. It would appear to us as administrative officers that there is not close enough cooperation between the federal theoretical and technical men and the practical men of the province. It would seem to me that if the money that is being spent by the federal government in keeping up such experimental stations as they do were expended somewhat differently it would be beneficial. Practical men are on the work every day of their lives, and if they were selected for their

qualifications and required to make the necessary observations, they could collect a great deal more of the kind of material that is wanted than can be got together by a man sent specially into the province to look over a limited area. I do not think that there is close enough correlation between the two and therefore the work is not as economical as it might be.

THE CHAIRMAN: Is that the Branch which you said was under the Dominion Department of Agriculture, or is it under the Forestry Branch?

MR. ALLAN: The Entomological Branch is under the Department of Agriculture, but the experimental work they carry on in connection with studies of timber growth and types of species is carried on by the federal Department of Natural Resources.

BY MR. ST. LAURENT:

Q. Do I understand from that statement that in your view greater use could be made of the information gathered by your practical men in the field than is possible where a limited number of federal officers gather information in this province? A. Yes, more could be done for less money if there were greater coordination of activities.

Q. Would it be confined to coordination? Is it a fact that the Research Department can do more effective work by being the sole department covering the whole Canadian field so that observations made in one province may be of substantial value to another? A. If I understand the question correctly, my answer is that the whole field of entomology can be more properly managed federally, but that the people in charge of forest entomological work could make much greater use than they

do of the practical foresters in this province.

Q. The practical administration and exploitation of the forests, now that they have been returned to the provinces, must remain a provincial function? A. Yes.

Q. And all that you are suggesting is that there should be greater cooperation and coordination between the two?

A. Yes; I suggest that both should remain in the field.

Q. Are those all the observations that you wish to make on this branch of forestry? A. Yes.

Q. We come now to the subject of fisheries? A. Yes.

The administration of this Branch is directed towards the maintenance of records of production of our fresh water lakes and rivers, and the administration falls under the general headings of protection, conservation, restocking and research. In protection, our attention is focused on regulation of seasons, size of mesh, and fishing methods and practices. The regulations governing fishing operations are founded on the experience of years, and the chief activity of the fishing inspectorial staff is to ensure compliance with those regulations. In order to keep production up to average, restocking is essential. Three hatcheries are successfully operated and millions of fry are released each year in commercial waters. Waters not regarded as being commercial are also stocked throughout the province for sport purposes with the fry of species indigenous to the province, from our own hatcheries. Experimentation is also being made as to the economic possibility of rearing fry to the fingerling stage before release, and efforts in this direction have met with some success. In this field the Dominion actually does no work at all. There is no conflict, but the provincial view is that the field is being neglected by the federal government, in view of the fact that it is

expressly their responsibility under the Acts of Confederation.

THE CHAIRMAN: Are there any Dominion fisheries regulations that effect your inland fisheries?

MR. ALLAN: All the regulations in Manitoba are Dominion regulations, but the ownership of the fisheries and the lakes and the land under the water, and the fish and everything else, is in the province; and the administration has all been handed over to the province. The collection of licence fees and everything else is in the provinces and the formulation of regulations is done by the province and recommended to Ottawa. But the power to pass regulations remains in the federal authorities. That is a statement of the fisheries situation.

THE CHAIRMAN: There is no exception in connection with the fisheries in this province?

MR. ALLAN: No; nothing is done in the province federally. There is in the province a field for the Dominion but they are not occupying it.

COMMISSIONER MacKAY: Do you think that a system whereby the federal government passes legislation and the provincial government administers it is satisfactory so far as the fisheries are concerned?

MR. ALLAN: No, I do not think it is. Mr. Pitblado suggests that I read the following excerpt from page 9 of the submission:

" In the fishery branch the federal Department of Fisheries under the British North America Act, has full jurisdiction. Actually the whole administrative work of Manitoba fisheries is carried on by the province. Technically, there is no overlapping as the Dominion Fisheries Branch does nothing in Manitoba.

" The legislative set-up could not be more awkward than it is, however, as the powers to regulate the industry rest with the Dominion government under the British North America Act, the result of which is that the province can only recommend to the Dominion. All regulations pertaining to the fishing industry must be passed at Ottawa and, however slight the change might be that we wish to make, it has to be approved and passed by special order-in-council at Ottawa."

Mr. Fisher referred to the matter of delay. These regulations could be passed in a day or two, but under the present set-up it takes weeks to get them through because the federal authority must first of all be convinced, and then when it acts the regulations must come back here. The result is that the set-up is cumbersome.

THE CHAIRMAN: Are the regulations relating to inland fisheries uniform, or are there special regulations relating to this province?

MR. ALLAN: There are special regulations relating to each province. The regulations differ in various provinces.

BY MR. ST. LAURENT:

Q. Have you any sea coast fisheries that are dealt with provincially or federally? A. No. There are certainly no developed sea coast fisheries, but we have 400 miles of salt sea coast which so far has not been developed. There is a company organized for the purpose at the moment and it is doing some work along that line, but it has not yet got prominently into the picture.

Q. So that whatever you have said this morning, or

summarized in the brief has to do with inland fisheries?

A. Yes. Mr. Pitblado suggests that I read the following paragraphs from page 10:

" A distinction is made between fish in the water and fish as property as soon as it is caught. The result is constant confusion, as those engaged in the trade and in the enforcement of the regulations are incapable of fine legal distinctions, and the administration of the industry in Manitoba is handicapped by the feeling of uncertainty as to what phases of the industry are governed by the provincial Act and what phases by the federal Fisheries Act.

The Federal government has a jurisdiction in the province which they are not exercising. They conduct no fishery activities and, while there is a very wide field of necessary research in the province, the Dominion is not living up to its responsibility. It is suggested that some revision of the existing set-up should be made. It is felt that the administration should be left exclusively to the province, and matters of research actively carried on by the Dominion, unless the Act can be substantially changed."

When I say, "unless the Act can be substantially changed", I mean the section of the British North America Act giving to the Dominion exclusive jurisdiction over fisheries.

BY MR. ST. LAURENT:

Q. What was the situation before the transfer of the natural resources to the province? A. It was administered

by the Dominion.

Q. So that the provincial organization has been set up only since about 1930? A. Yes.

Q. And it took over practically the whole field that up to that time had been occupied by the dominion?

A. Yes.

THE CHAIRMAN: Do I understand that it is your view that it would be in the public interest if the jurisdiction over the sea coast and the inland fisheries were transferred from the dominion to the province?

MR. ALLAN: Certainly, in relation to the inland fisheries, it would be my opinion that it would be better for jurisdiction to be transferred to the province. I have not looked into the question, nor do I know anything about the obligations that might arise if provincial jurisdiction extended to the sea coast fisheries.

THE CHAIRMAN: It is an interesting fact that so far there has been no explanation -- at any rate, I have not been able to find any explanation -- of the circumstance that in the Quebec resolutions the sea coast and inland fisheries are put under the provincial governments whereas, in the London resolutions, I believe, certainly in the British North America Act, they are put under the dominion. Why they were changed in that way, from the province to the dominion, I have not been able to ascertain.

MR. ALLAN: I suppose it flowed naturally from the British North America Act, but it was repeated in the Manitoba Act. The Manitoba Act also provides for federal government control.

MR. ST. LAURENT: In the Quebec resolution there was to be concurrent jurisdiction. No. 29 was the resolution setting out the federal powers, and subhead 17 dealt with

sea coast and inland fisheries. In No. 43, dealing with provincial jurisdiction, subhead 8 also had reference to sea coast and inland fisheries.

THE CHAIRMAN: What happened with respect to the London resolution:

MR. ST. LAURENT: It was, I believe, dropped from the resolution. It remained as subhead 15 of No. 28 in the London resolution and was dropped from the resolution dealing with provincial jurisdiction.

THE CHAIRMAN: For some reason, the decision was arrived at that there should be sole jurisdiction in the dominion rather than concurrent jurisdiction.

MR. ST. LAURENT: Yes, that is the purport of the London resolutions, though there was before them a draft in which provision was made for concurrent jurisdiction.

BY MR. ST. LAURENT:

Q. I understand that the next branch of your submission has to do with fur? A. The dominion is not in that field. There is no conflict and no overlapping. I think therefore we may pass that up.

COMMISSIONER DAFOE: You say that there should be a division of powers. The province, in your judgment, ought to have sole administration, and the dominion field should be limited to research. Is that your idea -- that the province should practically have full charge and responsibility except that the dominion should carry on research?

MR. ALLAN: Yes, I have said that. I subscribe to that and I have said in the submission that in my judgment the province should occupy the whole field except in so far as research is concerned. There is a great deal of work to be done -- and it should be done -- in research in the fisheries branch. We know very little about either

our fish environment or the fish themselves. We are doing some work ourselves but nothing like what should be done if the federal government had responsibility in connection with the fisheries. If the federal government had that responsibility it should be, shall I say, lumped in with the greater responsibility of general research in connection with all resources, because I believe that some of that should be applied to the fisheries.

MR. PITBLADO: As you will see, this memorandum makes some complaint about the difficulty of working under regulations made by the dominion. They are sometimes difficult to understand. That is a matter that could be worked out.

MR. ALLAN: The law on the subject leaves it indefinite as to where our own jurisdiction ends and where the federal begins. They have definitely concluded, in the case law on the subject, that we own the fish and the water and the land under it, and that we can administer them, but the federal government must be consulted if we are to take fish out of the water. But as soon as the fish are out of the water then the matter is entirely within our jurisdiction. That is understandable, but it is difficult for the game enforcement officers or the fishermen to understand these fine legal distinctions which they are expected to understand if they are to keep within the law.

THE CHAIRMAN: There is no doubt about it that uncertainty with regard to jurisdiction has given rise to frequent references to the courts.

Page 765 follows.

MR. ST. LAURENT: If the suggestion you have made were carried out there would be an avoidance of this inconvenient feature which you note on page 7 in regard to forestry. You state here that "From a provincial viewpoint the work carried out by the research staff of the federal forestry branch in Manitoba could be efficiently and much more economically handled if the Province were able to employ men with a higher degree of technical training in its practical operations, a recognized part of whose duty it should be to report to the federal forestry research department on the facts encountered in their daily experiences."

There would be much closer coordination between the theoretical and technical research department with the provincial department?

MR. ALLAN: That really could be worked out, but it should be drawn to the attention of both governments that they are a part, and it could be organized on a much more economical and efficient basis.

MR. ST. LAURENT: And if the jurisdiction over the regulations of at least, inland fisheries was handed over to the province and research work continued, there still would have to be rather close cooperation between the theoretical and research work in a practical application of that work by the provincial administration.

MR. ALLAN: I think that is quite a fair statement. Then, the next point is mines which we have decided to pass by, because the written brief does not contain anything of moment. I should like to interject one comment there. Game is under provincial control, but under the Migratory Birds Convention Act the Dominion takes a certain amount of authority over game in the province, and there have been difficulties between the two departments in connection with the act. They are

chiefly administrative.

MR. ST. LAURENT: That is the result of an international convention.

MR. ALLAN: Yes.

MR. ST. LAURENT: And, I suppose, agreements under an international convention are looked upon as of value to all the contracting parties.

MR. ALLEN: Yes, that is correct; I do not know that it has a very great bearing on the inquiry. All game comes under provincial control except migratory water fowl. I shall now pass on to the brief, and I shall ask your indulgence to stick pretty close to the script because it is a very important subject. I am now referring to "mines", and reading from page 13. I shall pass over the details of the department, as you have it before you. The Dominion exercises jurisdiction in the province in the mining field in that it conducts all the geological work.

"Implementing this duty the Dominion has, particularly of recent years, maintained a varying number of geological parties in the Province, directed from Ottawa, and has furnished the results of their investigations in the form of reports and geological maps from time to time.

The most substantial part of the geologizing of the province has been done federally. This work was neglected for years, or at least, Manitoba received a very scant consideration, but of recent years, since mining has assumed a position of importance in the provincial and federal economy, the attention given to geology in the Province has been much greater.

Allied with geology and geological mapping is the topographical mapping on which geological

mapping is based. This work has been carried on spasmodically and intermittently for some years, but the federal attitude at the moment would appear to be that the work of topographical mapping will be carried on only as it is necessary to the extension of federal work in the geological field. This point will be touched upon again under the heading of survey problems.

The Dominion maintains a metallurgical laboratory at Ottawa, through which it offers substantial services to the industry in this province.

The Dominion Bureau of Statistics also serves mining as a clearing house for a great mass of mining information and statistics and works in close cooperation with the Province.

This resume of federal activities in the mining field does not pretend to be exhaustive but your Commission will, no doubt, be able to supplement this general statement from other sources.

As to the overlapping of services both Governments occupy the same field. The overlap, is, however, not actual, as the geology done by the province, while recognized as a Federal responsibility, is done in order to augment the work which the Dominion sees fit to do and to keep abreast of the insistent demand of the mining industry for additional geological information. The maintenance of these provincial geological parties also furnishes opportunity to Manitoba young men in the Science faculties to supplement their theoretical training with some practical work in the field.

THE CHAIRMAN: Why do you say that the responsibility for the service rests with the federal government?

MR. ALLEN: It is under section 26 of the Manitoba Act. I have it quoted here, Mr. Chairman.

MR. PITBLADO: It appears on page 14 of the copy I have in my hand.

MR. ALLAN: "The federal responsibility for this service rests not directly on the British North America Act but on the Manitoba Act of 1870, confirmed by the Imperial Statute 34 and 35, Victoria, Chapter 28. Section 26 of this Act reads "Canada will assume and defray the charges for the following services" (subsection 7 - "geological survey")."

THE CHAIRMAN: Thank you.

MR. ST. LAURENT: There is a paragraph on page 15 which states: "The Dominion maintains a metallurgical laboratory at Ottawa, through which it offers substantial service to the industry in this Province." Is it your opinion that the existence of a central laboratory of this kind is of general interest to the public?

MR. ALLAN: Yes, it is. That is a very elaborate and expensive piece of equipment.

MR. ST. LAURENT: Available for use by investigators throughout the whole of Canada?

MR. ALLAN: That is it, yes. They have a very efficient metallurgical research station at Ottawa, and it is of very great value to all provinces in Canada. The duplication of equipment of that kind in each province would certainly not be in the interests of economy. The Dominion is doing excellent work, and should remain in the field; that is, in the field of research in mining.

THE CHAIRMAN: Is there any corresponding provision with reference to the dominion doing the geological work in any of the other provinces?

MR. ALLAN: I cannot tell you, sir. I do not know anything about the statutes of the other provinces.

THE CHAIRMAN: Is there anything in any subsequent act?

MR. ALLAN: I imagine, sir, and I am not speaking from positive knowledge, that there must be because the federal government has done an equal amount or a greater amount of geological work in the province of Saskatchewan than it has done here; but I cannot say positively it is in the Saskatchewan Act -- it is in the Manitoba Act.

THE CHAIRMAN: Is it geological work which the province could carry on itself as well as the dominion?

MR. ALLAN: They could carry it on if they had the technical staff at their disposal. The geological department at Ottawa is manned by possibly the finest mining or geological brains in Canada. I have seen them working. I think possibly I would be safe in saying there are a dozen or a score of Ph.D.'s working on that work at Ottawa all the time. You could not set up an organization in the province on that scale.

COMMISSIONER DAFOE: You would think there should be close cooperation between the provinces and the Dominion, as they are both interested in mining and geological services. Is it your suggestion that they should cooperate more than they are doing now.

MR. ALLAN: In the light of the law it is their responsibility. My only criticism is they are not doing nearly enough of it. It should be speeded up to a much greater extent than it has. They have a lot of lost time to take up. There were years when that work should have been done and it was not done,

due to the fact we had no mining in the province of sufficient interest, in their opinion, to warrant it. Now that mining has come, and is established and is here to stay in the province, they should pick up their back work and proceed with the job.

COMMISSIONER DAFOE: Do they respond to reasonable pressure.

MR. ALLAN: I think my minister would agree with me when I say there has been very considerable pressure in the last three or four years. We have no cause to complain; we have had excellent cooperation.

THE CHAIRMAN: It is good to find that there is some place where there is no cause for complaint.

MR. ST. LAURENT: Another reason you put forward here is that to do work of that kind would require very delicate equipment and considerable training of the staff to do the work.

MR. ALLAN: Yes.

MR. ST. LAURENT: And that it took time to secure both the equipment and the human technical experience that was required.

MR. PITBLADO: Money to pay them, too.

MR. ALLAN: That is quite true.

THE CHAIRMAN: Have you the figures in regard to your mineral production, Mr. Allan, as a matter of interest.

MR. ALLAN: I can give them to you out of my head.

THE CHAIRMAN: That is all I am interested in.

MR. ALLAN: You want last year's actual or this years estimate?

THE CHAIRMAN: Both.

MR. ALLAN: Let us start with this year's estimate. It is estimated that the total metallic production of the province will run to about \$15,500,000, and you can add to that possibly \$1,500,000 of non-metals.. That consists

of possibly \$5,500,000 in gold and \$500,000. in silver, which makes \$6,000,000 in the precious metals. Copper will run to about \$5,500,000, zinc about \$2,500,000, and \$250,000. made up of the three remaining metals of the seven that we produce, cadmium, selenium, tellurium. Now, that represents an increase in all branches that I have mentioned of about 15 or 20 per cent over last year.

THE CHAIRMAN: Mining is becoming one of your major industries?

MR. ALLAN: Yes, it is.

THE CHAIRMAN: When you compare it with the value of your wheat crop in 1935, as I recall the figures that were given yesterday.

MR. ALLAN: There is one thing I should like to add to what I said about our mining production in Manitoba. If I gave the figures of minerals actually produced and marketed through provincial channels I would add another five or six millions to that, because the Hudson's Bay Mining and Smelting Company's mine at Flin Flon takes about 40 per cent of its ore from Saskatchewan, or it will this year. It first sees the light of day in Manitoba and is marketed through Manitoba channels of trade; so for all practical purposes it is Manitoba production, although the ore comes from Saskatchewan.

MR. ST. LAURENT: The next is "Surveys". I believe there is something you wish to emphasize in that connection.

MR. ALLEN: I have asked with your permission, Mr. Chairman, before I leave mining, to be allowed to read to you a short statement that is not included in the written submission. I can have it added if you wish to receive it. Have I your permission?

THE CHAIRMAN: Yes.

MR. ALLAN: The comment I wish to make is as follows:

"I would like to submit for the information and consideration of the Commission and with its permission one further comment in relation to mining not in the written submission, which appears to me as relevant to the Inquiry in that, in my judgment, it supports the argument raised in part 8 of Manitoba's case, on page 8 that the "Act of Confederation failed to place upon the Dominion Government, with its unlimited tax base, commensurate responsibility for the welfare of its citizens.

Production of the basic metals of industry since the turn of the century has been a matter of great national concern in all countries of the world. More metal has been used in industry during the past 25 years than in all previous history since the dawn of time."

That statement is taken from Dr. C.K. Leith of the University of Wisconsin.

"Metal production is in itself an industry in which Canada is rapidly assuming a foremost position among the nations of the world, particularly in the non-ferrous metals. It is an industry - the rapid development of which, and especially the development of its very extensive low grade ore bodies, might be regarded as of first importance to Canada, not only from the commercial viewpoint but from the viewpoint of national defence and as a guarantee of peace and general prosperity of the Canadian people.

To illustrate, one such low grade ore body -- and we believe it to be only one of many -- has been discovered and developed in Manitoba to a

point where it produces precious and base metals to an annual value to Canada of approximately 15 million dollars.

When I say "15 million dollars" I am being modest, because there is some doubt about the Saskatchewan production.

"Without the acceptance of responsibility by the Government of the Province whose interest in the development -- great as it is -- might be considered less than that of Canada, that great mine at Flin Flon would not exist today. The Government of Manitoba, at its own cost, made the development of that mine possible. One-half million dollars of Manitoba money bonused the railroad -- a Federal railroad -- to the mine. Royalties which would have swelled provincial revenues were given up as part of the price paid to throw into the channels of trade the production of that mine, and to open up new fields of employment, new markets, a new community, new traffic for railroads, airlines, and transportation systems, and all of the benefits attributable to its operation.

And that development has been crowned with outstanding success. It adds 3 1/2 million dollars to Canada's payrolls, 4 1/2 million dollars to the earnings of capital annually. It consumes approximately 50,000 tons of Alberta coal yearly. It spent 1 1/4 million dollars last year in freight charges. It adds 3 million in gold bullion to Federal reserves and several million dollars to our exportable surplus of metals. To the expenditure and sacrifice made by the province to bring this great mine into being the Dominion

Government contribution was in no way comparable.

I ask leave to direct this to your attention in order that Federal responsibility for the development of our mining resources be recognized, and as a claim for extension rather than threatened curtailment of such services to the mining industry in Manitoba as geological survey and geological mapping, aerial photography and topographical mapping, interprovincial boundary surveys, assistance to mining roads, metallurgical research, and of services to the industry which the Dominion is in a preferred position to render."

I thank you for allowing me to put that in.

THE CHAIRMAN: That will be attached to the memorandum you filed. I should think it is self-evident, Mr. Allan, that the development of the mining industry, the purchasing of supplies and so forth, is a matter of great importance to the city of Winnipeg and the province of Manitoba.

MR. ALLAN: Mines and other developments are the largest developments that have taken place in the last ten years.

THE CHAIRMAN: I believe you have received good dividends from your investment already. I do not mean to suggest the considerations you have mentioned should not be taken into account, but I should think there has been good investments so far, from the standpoint of the province.

MR. ALLAN: I consider, sir, it has been an excellent investment for Manitoba, and a much better investment for Canada. That is the point we are trying to make.

COMMISSIONER MacKAY: What do you think should be the proper field for the province in the subject of mining?

MR. ALKAN: Over the subject of mining?

COMMISSIONER MacKAY: Yes.

MR. ALLAN: The field that we now occupy

COMMISSIONER MacKAY: What is that?

MR. ALLAN: It is in the brief. If I had not been trying to hurry I could have given it to you. I shall go back and give it to you as an answer to your question, if you wish. This is the reference:

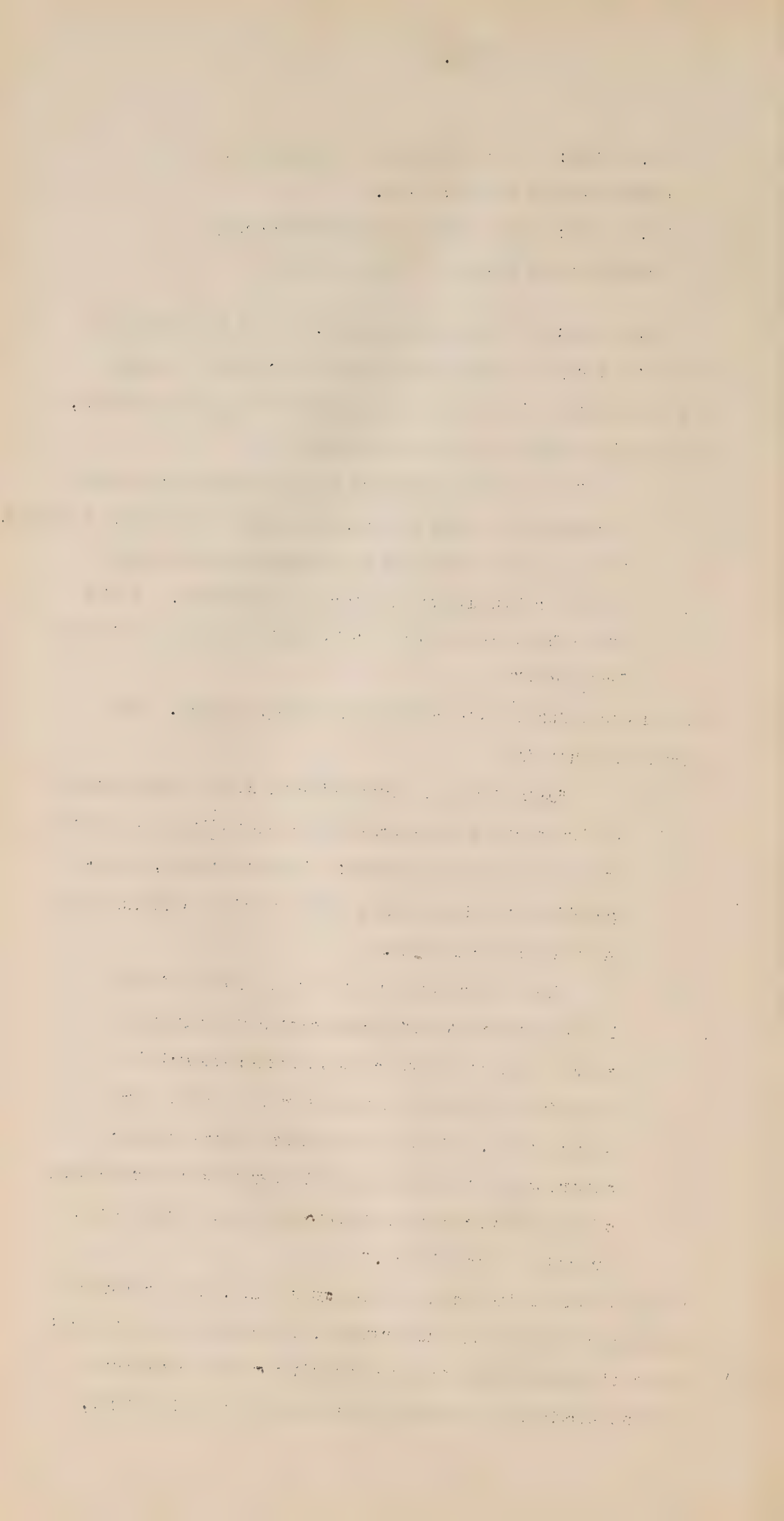
"In the Mines Branch the Department maintains a complete record office, in which are recorded titles, changes of title and all documents affecting title or interests in mining properties. It is the titles office of all mining properties in the Province."

That is the first function of the mines branch. The second is that it

"Maintains an inspectional staff whose duty it is to pass on improvements entitling the staker to a lease of his claims; inspect mines, safeguarding the life and health of mine workers and preventing accidents."

The Department operates an assay office in the interests of prospectors and mineral claim holders where certain non-commercial assaying of mineral samples can be done and reported on. This assay office also affords opportunity to students and engineering graduates of the University of Manitoba to get additional practical experience."

I might sum up the whole thing by saying, the business administration of the department, leaving to the federal their statutory duty for geologizing of the province and the geological mapping that must go on with that,



and the topographical mapping, all of which is necessary before that work can be done. Roughly, that is the field I would reserve to the federal government.

COMMISSIONER MacKAY: Research?

MR. ALLAN: Metallurgical research and research along other lines. It is possibly too narrow to say "metallurgical".

COMMISSIONER MacKAY: Do you think there would be much overlapping?

MR. ALLAN: No; they both occupy the same field, but there would not be much overlapping.

COMMISSIONER MacKAY: It would be a division of labour?

MR. ALLAN: A division of labour.

MR. ST. LAURENT: Even if it is not a statutory duty, the geological surveys require such highly trained and technical men that it is better performed by a centralized staff than it could be with nine separate organizations in each of the nine provinces.

MR. ALLAN: I think you have a better trained organization in the department, but the provinces could handle it. However, it is a federal responsibility under the statute, and from the viewpoint of the interest of Canada. I have tried to prove it is a federal responsibility, in any event, whether in the statute or not.

THE CHAIRMAN: You now come to "surveys".

MR. ALLEN: That is a very wide field of provincial responsibility. There is an enormous amount of work to be done.

THE CHAIRMAN: Is there overlapping?

MR. ALLAN: Yes -- I do not know that I should say there is overlapping; but they both occupy the field

and the federal government, to our view, as I indicated in my remarks in connection with mining, are inclined to do less all the time instead of doing more all the time. There is one point that I should particularly like to stress in connection with surveys, and that is the inter-provincial surveys. Perhaps I need not labour it; it is in the written statement. I have tried to convey to the commission that the Dominion should occupy that field and are not occupying it. They should do the work.

COMMISSIONER ANGUS: We had some discussion a day or two ago about a suggestion that had been thrown out with regard to putting the three prairie provinces under one government. Would that mean, from the point of view of problems such as these, any substantial economy in the administration.

MR. ALLAN: My wife asked me that question last night. I could not answer it there truthfully, so I think I had better not attempt it here.

THE CHAIRMAN: That is a satisfactory answer.

MR. ALLAN: I shall now refer to "water power and water rights". In the brief we say:

"By virtue of the Natural Resources Agreement of 1930 the ownership of the water powers within the Province was vested in the Province. The administrative duty of the Department involves collection of power rentals provided by contract entered into by the Government for the disposal of water rights to private interests, the issuance of licenses, leases, permits and concessions of all kinds, whether it be for small stock-watering dams or large hydro electric developments within the Province. It involves the payment of water storage charges to the Dominion to enable it to meet its obligations to the Province of Ontario -

That should read: "to enable it to reimburse itself for expenditures made, and to enable it to meet its obligations to the province of Ontario, in which province the storage reservoirs for important hydro electric developments within the Province are situated, and the collection of such storage charges from the power interests responsible for their payment."

The brief continues:

"The Province supplies power over provincially owned transmission lines to the rural parts of the Province, but the retailing of hydro electric energy and the maintenance of the hydro service is entrusted to the Manitoba Hydro Commission. The transmission lines are bonused by statute from funds collected by the Department as power rentals from private and municipal operators.

The administration of the water rights also involves the collection of run-off data and survey and investigation of rivers, streams, lakes and other bodies of water to ascertain how and to what extent they may be best utilized for any purpose, such as domestic, municipal or industrial water supplies, and for sewage disposal, power, irrigation, drainage, etc.

During the depression, when expenditures were necessarily curtailed, very little investigatory work was carried out and the collection of run-off data, essential to planning and development, has been almost eliminated. Any run-off data that has been collected has been obtained through cooperation with the hydrometric survey of the Dominion Department of Mines and Resources, the Province paying part of the cost.

The Dominion Department of Mines and Resources, through its Water and Power Bureau, collects run-off data respecting international waters and has, by the cooperative arrangements above referred to, continued to collect run off data within the province.

There is no actual overlapping in the services rendered by the two departments. This is largely due to the fact that neither department is doing anything like the amount of work that will eventually have to be done."

THE CHAIRMAN: Government expenses are increasing. Many people in the country would like to see the total burden reduced.

MR. ALLAN: I do not believe, Mr. Chairman, that the planning and development of our water resources would entail a great deal of expense other than that which would come out of the development of the resources themselves. The field is new to Manitoba. They have only had it since the resources came back. All of these years, as you will recall, were depression years. This is a big field that will have to be started on some day; but the time has never been propitious in the last six or seven years to start on a plan of development that was going to cost of lot of money. I have said there is no overlapping of services here, but I have not said there is no overlapping of responsibility in connection with that service. I am going to abandon my notes for the moment, if I may, and just try to indicate to the Commission what I mean by that. The water resources are usually regarded by the man on the street as being water power. But they are much wider than that. They run all the way through land drainage and reclamation, to stock watering, dams and rural rehabilitation and everything else. Water power has a bearing on all of them. Under the present set-up it is distributed between two or three federal departments

and a couple of provincial departments, and through different branches in the department. So it has never been really correlated to the job of work we have to do. The data and a lot of material of this kind has been collected, but to no specific purpose. It is there to be used when we get time to use it. It surely could be more economically and more efficiently done, if the plan were before us and the data collected in some sort of relation to the plan. At the present time there is valuable information being lost through the various departments and branches that should belong to some field of water power development. Would you like to hear the list. Water powers are in our department; navigable waters are in the federal department of public works; land drainage and reclamation are in the local department, the provincial Department of Public Works; the P.F.R.A. is under the Federal Department of Agriculture; marsh land and hay land --

THE CHAIRMAN: What is P.F.R.A.?

MR. ALLAN: Prairie Farm Rehabilitation Act. That is the water conservation programme on the prairies that has been going on for the last year. Marsh and hay land development is handled by the Lands Branch of the Local Department. Migratory water fowl is handled federally; and yet the same water conditions make a success or failure of any one of them. Wells and well drilling are handled provincially; ground water geology is handled federally. Surveys of water sheds are handled by our local surveys branch, but hydrometric services by the federal department. Soil surveys are conducted by the Department of Agriculture, and to complete the list, water supply and sewage disposal are handled by the provincial and municipal commissions, while Provincial Hydro is handled by an independent commission.

The reason I give you this recital is that I cannot say specifically there is overlapping, and that there is additional expense, and that the set-up is not economical. But I should like to make this statement; it is a miracle if there is not, because it is spread all over the place. That is not very direct evidence.

THE CHAIRMAN: What do you suggest as a solution so that we shall not expect miracles to be continuously performed. What would you suggest as a practical solution to the problem.

MR. ALLAN: Our field is provincial. I cannot suggest to you what the federal government should do; but in the provincial field it all ought to be correlated, and then when that has been done, correlated with the Dominion activities in the province. Mind you, there is a wide federal field that has to be filled in connection with water. Water power development in the province of Manitoba must rely on the volume of water passing into Manitoba from other provinces, while the streams are under our jurisdiction at their mouth, their sources are in other jurisdictions. The Dominion has power to regulate these things in other provinces, and has an arrangement with the American government whereby they can do something on that side as well. I should like to illustrate what I mean by one statement that was made to me yesterday by a Deputy Minister. He said: "If you take 10,000 cubic feet per second out of the Saskatchewan River in Saskatchewan you would deprive Manitoba of 50,000-potential horsepower on the Nelson River." I just give that illustration to show the inter-relationship between the provinces on the question of water power. The same thing applies to the Winnipeg River. The Winnipeg river rises in Ontario and is developed in Manitoba; also

the Red river, The Moon River, the Mouse river, The Souris river and the Assiniboine river. They all have their sources outside of our boundaries, Therefore there is a very definite field in which the Dominion Government should exercise jurisdiction. The provinces would be helpless to attempt that.

MR. ST. LAURENT: Is it also a fact, to make any practical use of run-off data, you would have to go back over a long period of years.

MR. ALLAN: Yes.

MR. ST. LAURENT: Up till 1930 such records as were kept were federal records.

MR. ALLAN: Yes, and still are.

MR. ST. LAURENT: And even to make use of such records as may have been kept in the province since 1930, one would have to correlate all of the information that was available for anterior periods?

MR. ALLAN: Which would be true for any part, aside from one limited area of the province from an anterior period; but there is such a huge area of Manitoba that lies to the North of the Winnipeg River that has never been touched. Neither the federal government nor anybody else has any record of any run-off figures or data in connection with that.

MR. ST. LAURENT: What was done prior to the return of the assets to the province was all south of the Winnipeg watershed.

MR. ALLEN: Largely on the Winnipeg watershed, the Assiniboine and the Red rivers in the southern part of the province. The north has not been touched.

MR. ST. LAURENT: The north has not been touched at all. Have they maintained the station in the territory, it would be for that purpose.

MR. ALLEN: I do not understand entirely what you mean.

MR. ST. LAURENT: Have the stations where the readings are being taken been maintained since 1930.

MR. ALLEN: Yes.

MR. ST. LAURENT: By the federal authority or by the provincial authority?

MR. ALLEN: The federal authority, but with contributions from the province. The Minister has just drawn to my attention my answer is not quite correct. In connection with international waters or interprovincial waters, the federal government pays but we keep readings and pay for them ourselves.

MR. ST. LAURENT: Their offices gather the readings and you contribute some part of the administration expenses.

MR. ALLAN: Yes, for the general waters and we do some of that work ourselves also.

MR. ST. LAURENT: Does that cover the field of the activities of the department with which you are connected?

MR. ALLAN: I have a summing up of the whole thing that I should like to ask the Chairman's permission to read. It is only two pages long and will only take a moment.

"Generally, the work of the Department in its various branches has been answered in some detail, and the work of the corresponding Federal Department has been briefly outlined as it appears to the Department as an interested observer. The commission will, no doubt, give the federal officials the same opportunity as is afforded the provincial departments.

After reviewing the work of the Department there does not appear to be a great deal of

overlapping. Provincial activities have, to date, possibly due to economic conditions, been confined pretty closely to the details of business administration, leaving to the Dominion organizations such research as has been done.

It may be evident that in departmental opinion, the federal contribution to the development of our resources is not commensurate with its cost, and that the efficiency of federal agencies operating in the Province could be improved by closer direction and a closer co-ordination of their work to provincial development plans.

Without being able to be more specific, the feeling certainly exists that the closer you get to the practical job of administration the more efficiently and economically it can be done.

When the resources were returned to Manitoba seven years ago the Province was warned that they had not been a source of Revenue to the Dominion.

In the Turgeon Report a statement appears that in the administration of Manitoba's resources for ten years preceding the transfer, the Federal Government had incurred an annual deficit of about \$430,000.00. In the length of our experience we now regard that state of affairs as one of the evils attendant upon remote control. Under provincial administration that deficit never exceeded \$125,000.00, and was entirely overtaken in the first three years. Since that time the Department has had an operating surplus of receipts over expenditures every year, and for the past three successive years the surplus has exceeded \$250,000.00 annually. We are, therefore, strong

in our advocacy of the greatest possible measures of provincial control of the management of our Natural resources.

At the same time we are of the opinion that in the field of research, where the subject matter is not confined to any one province and where elaborate and expensive equipment and highly trained specialists are necessary, the work can be more economically and efficiently done under federal auspices and direction.

The occupation by the Dominion of this higher field of service to the basic industries of the several provinces, if the work be done according to the standards of efficiency and economy which the Provinces set for themselves, will do much to preserve the ideal of unity contemplated at Confederation. "

THE CHAIRMAN: Before we adjourn I should like to ask you to tell me the principle sources of revenue which have showed a surplus in the last two years.

MR. ALLAN: The sources of revenue, sir?

THE CHAIRMAN: Yes.

MR. ALLAN: I shall try to tell you in a general way the sources of revenue which have shown a surplus. Provincial lands have produced a revenue in the last four or five years. Provincial forests are possibly a greater source of revenue, particularly in comparison with the cost of operations. Provincial water powers produced practically \$200,000. - now should I say "revenue" or "receipts". Where I have said "revenue" I have meant "receipts". There is a distinction there that the Honourable Provincial Treasurer is very jealous of, the difference between receipts and revenues. I am going to stick to "receipts". Forests produce \$200,000

annually; water powers \$200,000 annually - these are gross figures, by the way - lands, mines, game, fur and fish, taken collectively all show a surplus over expenditures in their administration, and the accumulated total exceeds \$25,0000 annually.

COMMISSIONER DAFOE: Is that due to an increase of revenue under a provincial administration beyond what you get from the same source?

MR. ALLAN: It is made up by both, Mr. Dafoe. The costs were very considerably cut when the province took them over. I could be more specific, but I think that will be sufficient. They were very considerably cut; but by closer attention to the collection of the revenue that belonged to the people of the province the receipts were tremendously increased, considering the size of the problem. I think possibly it is about equally divided between the two, the cut in expenses and the increase in the efficiency in collection of revenues. Mr. McDermott suggests I make that statement general and say we spend half a million dollars on the administration of the department annually and we collect three quarters of a million dollars annually in receipts.

MR. ST. LAURENT: This brief may be filed as Exhibit 15.

EXHIBIT NO. 15: Submission by the province of Manitoba in regard to natural resources.

THE CHAIRMAN: It is one o'clock. We shall not hear any more witnesses today. This is important information we are getting and I think we should continue with the other departments on Monday morning.

MR. ST. LAURENT: May I make this suggestion. Mr. McNamara was here and has quite a voluminous memorandum.

I was wondering if we could call Mr. McNamara and ask him to file his memorandum so that we might have an opportunity to look over it over the week end and be prepared better to proceed with it on Monday morning,

THE CHAIRMAN: That is satisfactory.

MR. McNAMARA, called and examined.

MR. ST. LAURENT: I understand you are the deputy minister of Public Works and Labour, and among other activities your department has charge of unemployment relief, labour legislation, industrial disputes and insurance.

MR. McNAMARA: That is so.

MR. ST. LAURENT: And that at the suggestion of the Secretary of the Commission you have prepared a memorandum dealing with the activities of your department and the possibility of there being overlapping between your services and those performed by federal agencies.

MR. McNAMARA: That is so.

MR. ST. LAURENT: Will you file as Exhibit 16 one set of this memorandum so that we may have the opportunity to look it over and when you come back on Monday morning we shall be perhaps a little better prepared to understand the presentation you will have to make on that subject.

MR. McNAMARA: Yes.

THE CHAIRMAN: Ask Mr. Evans, the Deputy Minister of Agriculture, to come back as well.

EXHIBIT NO. 16: Memorandum prepared by Mr. McNamara, Deputy Minister of Public Works and Labour, with regard to overlapping in his departments.

The Commission adjourned at 1.00 p.m.
until 10.30 a.m., Monday, December 6th.

1. The first part of the paper is devoted to a general

discussion of the problem and the main results.

2. The second part is devoted to the

proof of the main theorem.

3. The third part is devoted to the

proof of the corollaries.

4. The fourth part is devoted to the

proof of the lemma.

5. The fifth part is devoted to the

proof of the proposition.

6. The sixth part is devoted to the

proof of the theorem.

7. The seventh part is devoted to the

proof of the lemma.

8. The eighth part is devoted to the

proof of the proposition.

9. The ninth part is devoted to the

proof of the theorem.

10. The tenth part is devoted to the

proof of the lemma.

11. The eleventh part is devoted to the

proof of the proposition.

12. The twelfth part is devoted to the

proof of the theorem.

13. The thirteenth part is devoted to the

proof of the lemma.

14. The fourteenth part is devoted to the

proof of the proposition.

15. The fifteenth part is devoted to the

proof of the theorem.

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